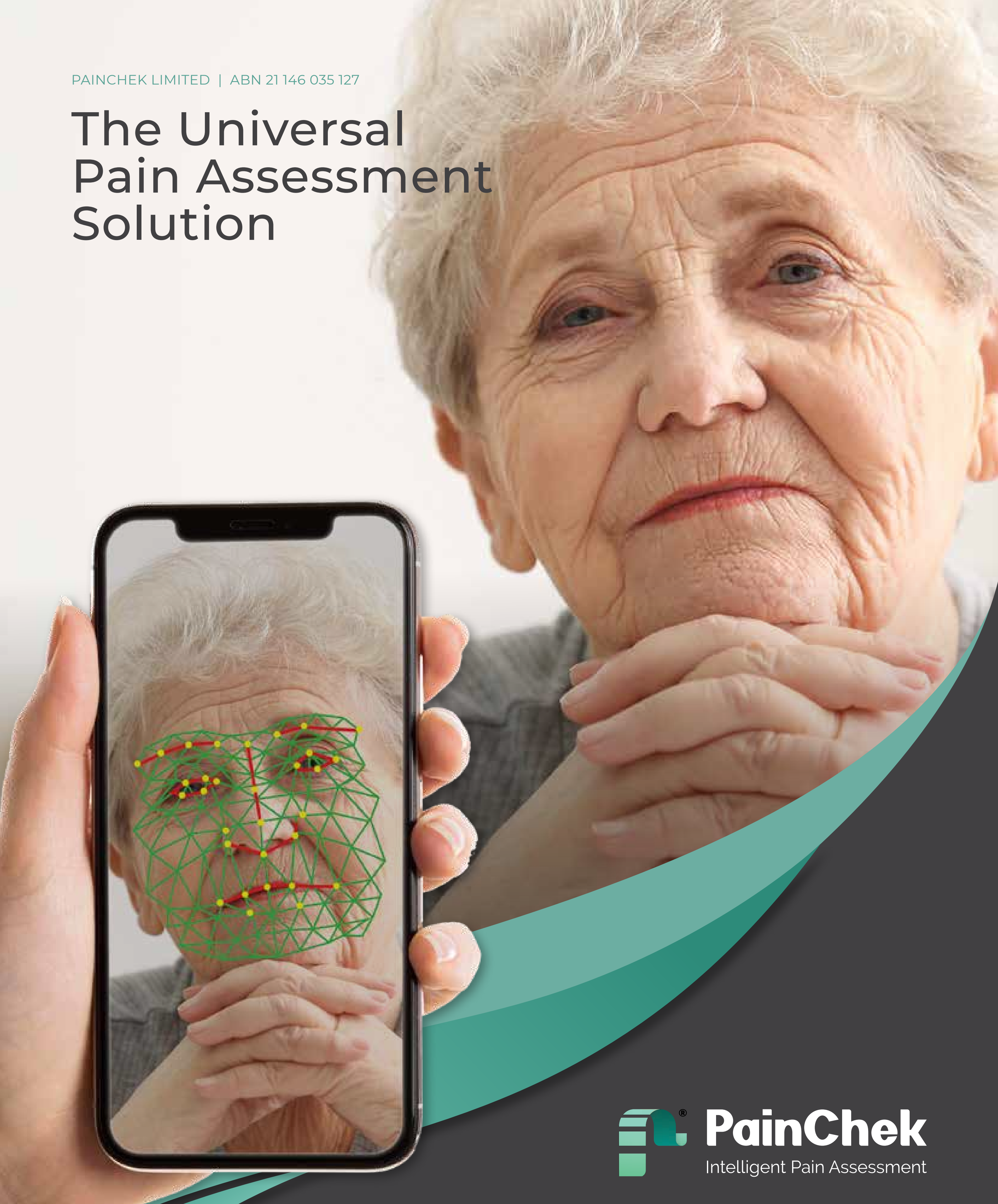
PAINCHEK LIMITED | ABN 21 146 035 127

The Universal Pain Assessment Solution



PainChek®
Intelligent Pain Assessment

ANNUAL REPORT

YEAR ENDING JUNE 2021

Table of Contents


PainChek® App
Numerical Rating Scale
NRS score 8
Severe
PainChek® Analytics
Enabling best-practice pain management

Chairman's Letter

Dear Shareholders,

It is a credit to our small, hardworking team that by 30 June 2021 the Company had signed up annual PainChek licenses for more than 1500 residential aged care (RAC) facilities covering 129,000 beds and representing approximately 60% of the Australian market (in beds). Beds under license grew by approximately 110% from the prior year end and represent a potential annual recurring revenue (ARR) opportunity of up to $5.6m.

This pleasing result was achieved with the benefit of a first year licence subsidy to the RAC clients under an Australian government grant scheme; and despite the continuing adverse impact of COVID-19 on our business and our customers. The opportunity for new RAC clients to sign up for the grant scheme has now ended, and our key focus in Australia during FY'22 is to convert this customer base to satisfied clients paying recurring fees on normal commercial terms to realise the full value of the ARR. We are confident we can do this due to the clinical and operational benefits of our unique, innovative product, and our well-established focus on customer support.

During the year we also obtained regulatory clearance for our first version of our Painchek Infant App in Australia, Europe and certain other markets. We plan to initially launch this Infant App in the hospital sector in Australia during FY'22 for use in post-operative and post-vaccination infant pain assessment by both healthcare professionals and parents as users. In addition, we successfully launched our Universal App in Australia and Europe during FY'21. This has broadened the application of the adult App to also document and monitor pain of people who can self-report their pain, and ensuring PainChek can be extended to manage pain assessments for all adults.

While COVID-19 caused delays to our plans to broaden our product coverage and international expansion during FY'21, these initiatives are now progressing positively as the global markets open up post COVID-19 vaccinations:

- the Home Care market will be accessed initially by leveraging RAC partners that also deliver government funded home care packages in Australia;
- the Hospital market will be accessed initially by leveraging our existing clinical studies with hospitals in Australia, by partnering with medical device suppliers, and by bundling together the Infant and Adult App;
- International Market expansion is focused on expanding UK RAC beds penetration and preparing for the expanding in the UK Home, Hospital and Infant markets;
- The Company will continue to assess new market entry opportunities in Europe, Canada and Asia while continuing the de-Novo application with FDA for US market clearance.

We have continued to manage our expenditure carefully, and at the year end had approximately $11 million in cash.

Our share price performance is very disappointing falling to 5.9 cents at 30 June 2021 compared to 11.5 cents at prior year end. Your Board does not believe this value fairly reflects the global market opportunity and the solid foundations we have in place to capitalise on this in the future. The Board will continue to engage with the capital markets and shareholders as the product continues to roll out with the view this progress will be better reflected in the share price going forward.

On behalf of the Board of Directors, I would like to thank all of our shareholders for continuing to support the Company.

Yours sincerely,

John Murray
Chairman

PainChek Limited (ASX: PCK)
ABN 21 146 035 1272

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Sydney, NSW, 2000

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info@painchek.com

Review of Operations

When PainChek was founded in 2016 a core goal was set to be the first to market with a clinically validated and regulatory cleared Adult and Infant pain assessment App. Today the Company has achieved those core goals and has a clear path and strategy to become the global market leader in both sectors.

The PainChek® technology uses cameras in smartphones and tablets to capture a brief video of a person, which is analysed in real time using facial recognition software to detect the presence of facial micro-expressions that are indicative of the presence of pain. These results are combined with other observational assessments to provide an overall pain score and pain severity level of the person being assessed.

The PainChek® technology has multiple regulatory clearances including TGA (Australia) and CE Mark (Europe) for use as a class 1 medical device to assess pain in people who are unable to reliably verbalise, such people with dementia.

Substantial Market Opportunity

PainChek's purpose is to give a voice to people who cannot reliably verbalise their pain, with pain assessment an area that has relied on manual, paper-based systems and therefore ripe for disruption.

Two significant groups exist whereby PainChek has identified a market opportunity: those with dementia and cognitive impairments who have lost the ability to reliably indicate their pain levels, and pre-verbal children.

An estimated 50 million people are living with dementia worldwide, and this is estimated to grow to 75 million by 2025. On average there are three carers for each person with dementia, and these carers are the primary users of the PainChek® Adult App. Worldwide there are estimated to be 6.96 million aged care beds, with 43.5 million individuals estimated to be living with dementia at home.

There are another 400 million children aged 0 to 3-year-olds worldwide, and each year an estimated 50 million people become parents for the first time. Annually, 100 million children are born in or pass through hospitals each year. Parents and practitioners can have difficulty discerning whether these pre-verbal children are in genuine pain or just crying from discomfort or hunger.

Continued strong RAC adoption in Australia

After the PainChek® Adult App was clinically proven and regulatory cleared, Australia's residential aged care (RAC) market has provided an important proving ground for the technology.

PainChek received Australian Federal Government funding for the use of the PainChek® Adult App for those people living with dementia or cognitive impairment in residential aged care facilities. As eligibility for the fund ended in May 2021, PainChek had achieved 82,982 dementia specific beds reported to the government, with resulting Federal Government grant payments to PainChek totalling $4.3M in FY20 and FY21.

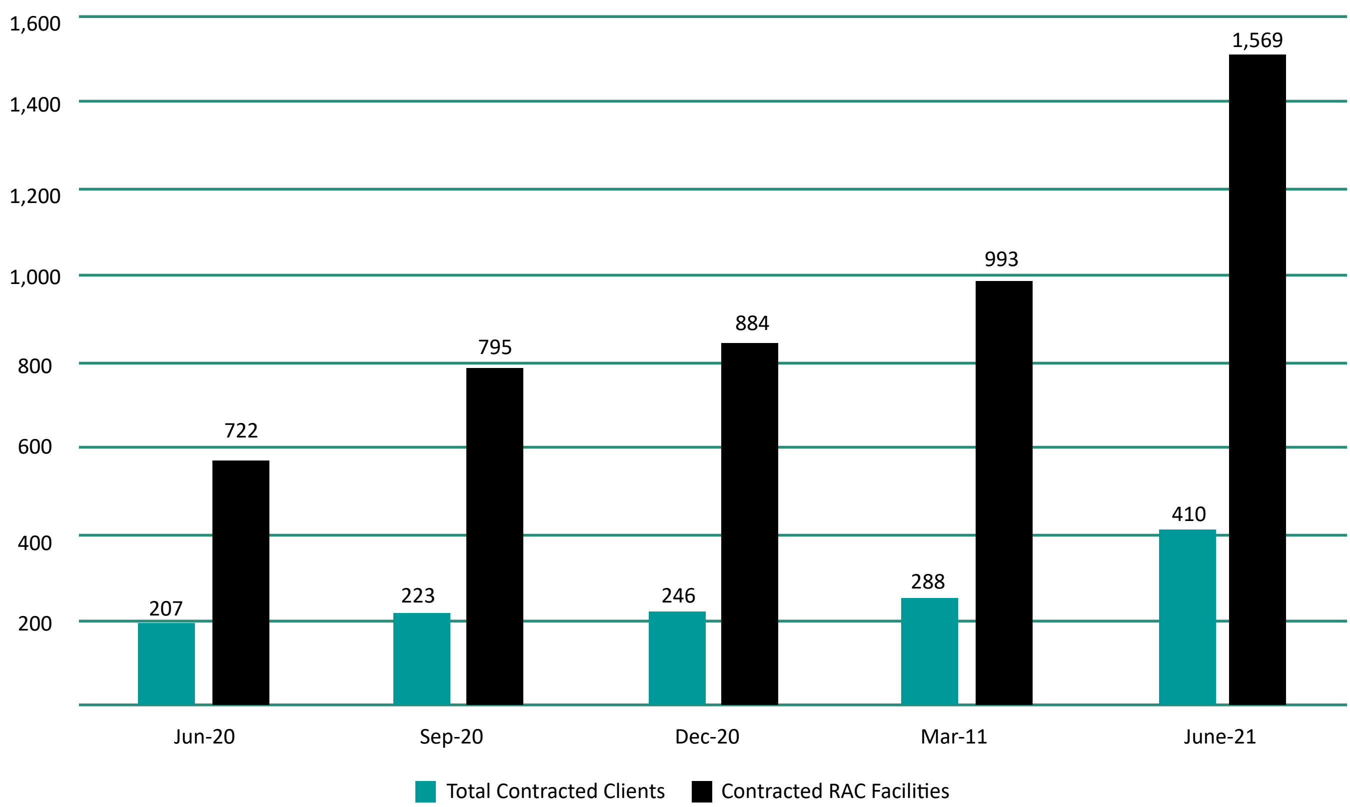
There are now more than 129,000 beds in 1,569 Residential Aged Care (RAC) facilities that have been contracted with annual subscription agreements, giving PainChek more than 60% market share in Australia's Aged Care sector including most of the largest providers with new clients including BUPA and Estia Health. This uptake results in a projected annual recurring revenue (ARR) exceeding $5.5 million assuming all contracts signed under the Government funded scheme are fully implemented and transitioned onto standard PainChek commercial agreements.

Some 480,000 clinical pain assessments have been conducted in Australian aged care as at 30 June 2021, with an increasing number of case study reports confirming the clinical and cost benefit. At 30 June 2021 there were 46,843 active licensed beds in RACs, up from 24,435 beds at 30 June 2020. There was a backlog of over 82,000 contracted beds at 30 June 2021, which are scheduled to be implemented after the year end.

PainChek has been further encouraged by the positive impact its technology is having in residential aged care facilities, with case studies showing use of PainChek has led to a reduction in psychotropic medication, initiation of non-medication interventions to better manage pain, and a renewed focus on pain assessment within these facilities.

PainChek has now integrated with all the care management systems in Australia that provide documentation systems within residential aged care, which covers more than 180,000 beds.

RESIDENTIAL AGED CARE CLIENTS AND FACILITIES CONTRACTED



International Expansion

Despite the COVID-19 lockdown of UK facilities in until early 2021, PainChek continued to maintain a presence in the UK market with a local sales and marketing team, leading to more than 1,000 total beds now being live and a further 1,500 planned for deployment. Implementations have occurred in England, Scotland and Wales and PainChek is targeting a fast tracking of its rollout in the region as the economy has reopened in conjunction with its significant COVID vaccination rates.

New Residential Aged Care sales have continued in New Zealand and Singapore and PainChek has established a partnership for the Home Care sector in Canada.

New Products & Markets

The Infant App received Australian TGA, CE Mark (Europe), UK, New Zealand, Singapore and Canada regulatory clearances. Furthermore, the PainChek Infant Face-Only pain assessment study was peer reviewed and recently published in the highly regarded Lancet Digital Scientific journal, confirming the technology is a valid and reliable means of assessing and monitoring procedural pain in infants.

Opportunity exists for the Infant App in various settings including children's hospitals/wards, GPs rooms and for parents at home. The significant market opportunity has the potential to deliver large revenues to PainChek with only a very small market share.

PainChek is negotiating partnerships for hospital access and distribution; The Nurse-led Volunteer Support and PainChek Frailty Study funded through the Ramsay Hospital Research Foundation (RHRF) commenced at the Hollywood Hospital in WA during March, and a second study at Ramsay's Joondalup Health Campus, also funded through the RHRF, is planned to evaluate the use of PainChek® Universal again combined with a nurse-led volunteer program.

Plans to conduct PainChek® Adult App FDA studies in the USA have continued to be delayed by COVID19. However, during FY2021 the Company has developed and commercially launched PainChek® Universal, which has clearance to sell in many other key markets.

PainChek® Universal is a complete point-of-care solution that combines the existing PainChek® App with the Numerical Rating Scale (NRS) and data from PainChek® Analytics. This enables best-practice pain management for people living with pain in any environment — from those who cannot verbalise pain to those who can, and those who fluctuate between the two.

Focus For FY22

PainChek aims to maintain and grow its position in the ANZ market by maintaining the current contracted beds above 120,000, growing integration partnerships with CMS partners and medication management providers, and transition customers onto commercial agreements after they have completed their government funded trial.

The Home Care market will be accessed, initially leveraging RAC partners that also have government funded home care packages in Australia. The Hospital market will be entered by leveraging existing studies with hospitals, partnering with medical device suppliers and by bundling the Infant and Adult App.

International market expansion is planned by expanding UK RAC beds penetration and developing the home, hospital and infant markets. In addition, the Company continues to assess new market entry opportunities in Europe, Canada and Asia while continuing the de-Novo application with FDA for US market clearance.

The Infant market will be enabled following the completion of studies to support procedural pain indication. The initial market opportunities are focused on post-operative and post-vaccination pain monitoring and pain management for infants in the hospital and home care settings.

Directors' report

The directors of PainChek Limited ("PainChek" or "the Company") submit herewith the financial report of the Company and its subsidiary ("Group" or "Consolidated Entity") for the year ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

The names of the directors of the Company during or since the end of the year are noted below. Directors were in office for the entire period unless otherwise stated:

Mr John Murray (appointed 30 September 2016) **LLB (Hons), CA, MAICD –** Non-executive Chairman

Mr Murray has 25 years' experience in private equity and venture capital and was a co-founder and Managing Partner of Technology Venture Partners; one of the original and leading venture capital firms in Australia. Mr Murray is a past chairman of the Australian Venture Capital Association. Mr Murray has considerable experience as an investor and a non-executive director of high growth, technology-based companies. He possesses a broad understanding of global trends in technology and its impact on a variety of industries. He is a past Chairman of a private, residential aged care business in Australia. Mr Murray also brings 12 years' experience in executive roles in corporate banking, accounting and IT services industries.

Mr Murray has been on the Board of a number of successful technology rollouts and exits including online travel play Viator, which was acquired by TripAdvisor for approximately US$200 million in 2014. He is a chartered accountant with an Honour degree in Law and is a member of the Australian Institute of Company Directors. Mr Murray is a director of UK AIM listed company Seeing Machines Ltd and was Chairman of ASX listed company Flamingo AI Limited until October 2019, but otherwise has not been a director of an ASX listed company in the past 3 years.

Mr Philip Daffas (appointed 30 September 2016) **BSc, Dip EENG, MBA, GAICD –** Managing Director

Philip is a highly accomplished global business leader and people manager with an international career spanning more than 25 years with leading blue-chip healthcare corporates and novel technology start-up companies.

Philip has held senior global business leader positions in Europe, US and Australia. He has been instrumental in building businesses, growing market share and developing extensive high-level customer and industry relationships in each sector on a global basis.

Philip's earlier experience was gained in Europe with market leaders such as IVAC infusion systems and Shiley cardiopulmonary products. He subsequently joined Boehringer Mannheim, initially in the UK managing their diagnostics business and subsequently was promoted to a Global Marketing role in the Diabetes Care business cased in Mannheim, Germany.

In 1997 Philip joined Cochlear in the UK as the European Sales and Marketing Manager and subsequently was promoted in 2000 to the VP Global Marketing role based in Sydney, Australia

Other roles in Australia have included General Manager with Roche Diagnostics, Managing Director at Bio-Rad Laboratories and CEO of Applied Physiology, an Australian software start up company in the intensive care monitoring sector.

Graduated in the UK with a BSc and Diploma in Electronic Engineering, Philip also has an MBA and is a Graduate of the Australian Institute of Company Directors (GAICD). Mr Daffas has not been a director of an ASX listed company in the past 3 years.

Mr Ross Harricks (appointed 30 September 2016) **BE, MBA** – Non-executive Director

Mr Harricks' experience in the commercialisation of medical products spans over forty years and over three continents. His experience includes the marketing and commercialising of the computed technology scanner (CT or CAT scanner) in Australia, where he headed up the EMI Electronics Group as General Manager. His remit included developing EMI's medical business in this region.

In 1983, Mr Harricks joined the Nucleus Group as Group Marketing Executive, and later became President the two Nucleus Group subsidiaries in United States marketing medical equipment and scientific and engineering computing products. In 1989 in the US, Mr Harricks was the CEO of a venture capital-backed start-up company developing specialist scientific and medical lasers.

In Australia Mr Harricks has been a director of ResMed Limited and cofounder of AtCor Medical where he completed an Australian initial public offering in 2005 leading the company until 2007. He was a director of VentraCor from 2005 to 2009. Other than Painchek, Mr Harricks has not been a director of an ASX listed company in the past 3 years.

Mr Harricks works with Australian medical and technology companies assisting in commercialisation of their products into the US and EU markets. His unique expertise and experience includes strategic advising on the best path to early international market endorsement and adoption, and on providing hands-on help with implementation in the American and European markets.

Mr Adam Davey (appointed 30 September 2014) – Non-executive Director

Mr Davey's expertise spans over 25 years and includes capital raising (both private and public), mergers and acquisition, ASX listings, asset sales and purchases, transaction due diligence and director duties. Mr Davey is a Director of Wealth Management at Canaccord Genuity Patersons Limited. Mr Davey has been involved in significantly growing businesses in both the industrial and mining sector. This has been achieved through holding various roles within different organisations, including chairman, managing director, non-executive director, major shareholder and corporate adviser to the board.

Mr Davey is a non-executive director of Ensurance Limited and the Agency Group Australia Ltd. Otherwise, Mr Davey has not been a director of an ASX listed company in the past 3 years.

Company Secretary

Ms Sally McDow was appointed to the position of Company on 2 June 2021. Ms McDow is an experienced company secretary, admitted as a solicitor (QLD) and holds an MBA and a corporate governance diploma.

Mr Ian Hobson B.BUS FCA ACIS MAICD was appointed to the positions of Company Secretary and Chief Financial Officer on 30 September 2016 and resigned on 2 June 2021..A Fellow Chartered Accountant and Chartered Secretary, Mr Hobson has more than 30 years' experience in the areas of corporate finance, governance, corporate accounting, company secretarial and restructuring advice. Mr Hobson was a director of PricewaterhouseCoopers and Ferrier Hodgson Chartered Accountants before specializing in providing company secretarial and corporate accounting services to listed entities.

Principal Activities

The principal activity of the Company is the development and commercialisation of mobile medical device applications, that automate intelligent pain assessment of individuals who are unable to communicate their pain with carers.

Financial and operational review

The loss of the Group for the year ended 30 June 2021, after accounting for income tax benefit, amounted to $6,063,647 (2020 $12,392,659). The year ended 30 June 2021 operating results are attributed to the following:

- Research expense of $2,652,106 (30 June 2020: $2,270,461);
- Share based payments in respect of options issued to Directors and employees of $709,720 (non-cash) (30 June 2020: $8,907,808 (non-cash)); and
- Corporate and administration expenses of $3,612,398 (30 June 2020: $2,584,273) which included a provision for payroll tax assessment of $1,400,414 relating to the year ended 30 June 2017.

Review of operations

When we started the PainChek journey in 2016 we set out a core goal of being first to market with a clinically validated and regulatory cleared Adult and Infant pain assessment App. Today we have achieved those core goals and have a clear path and strategy to become the global market leader in both sectors

The PainChek® technology uses cameras in smartphones and tablets to capture a brief video of the person, which is analysed in real time using facial recognition software to detect the presence of facial micro-expressions that are indicative of the presence of pain. These results are combined with other observational assessments to provide an overall pain score and pain severity level of the person being assessed. The PainChek® technology has multiple regulatory clearances including TGA (Australia) and CE Mark (Europe) for use as a class 1 medical device to assess pain in people who are unable to reliably verbalise, such people with dementia.

The PainChek® Adult App has been clinically proven and regulatory cleared, and in May 2021 the Australian Federal Government funded grant came to an end. The grant funded the use of PainChek® Adult App for those people living with dementia or cognitive impairment and by May 2021 PainChek had achieved 82,982 dementia specific beds reported to the government, with resulting Federal Government grant payments to PainChek totalling $4.3M in FY20 and FY21.

There are now more than 129,000 beds in 1,569 Residential Aged Care (RAC) facilities that have been contracted with annual subscription agreements in Australia, New Zealand, UK and Singapore and projected annual recurring revenue (ARR) exceeding $5.5 million assuming all contracts are fully implemented and transitioned onto standard PainChek commercial agreements. Revenue from these contracts is recognised in the income statement in accordance with the Group's accounting policy for Reveue set out on page 30.

Some 480,000 clinical pain assessments have been conducted in Australian aged care as at 30 June 2021, with an increasing number of case study reports confirming the clinical and cost benefit.

At 30 June 2021 there were 46,843 active licensed beds in RACs, up from 24,435 beds at 30 June 2020. There was a backlog of over 82,000 contracted beds at 30 June 2021 scheduled to be implemented after the year end.

We have established a solid base in Australia, with more than 60% market share in Aged Care and contracts with most of the largest providers.

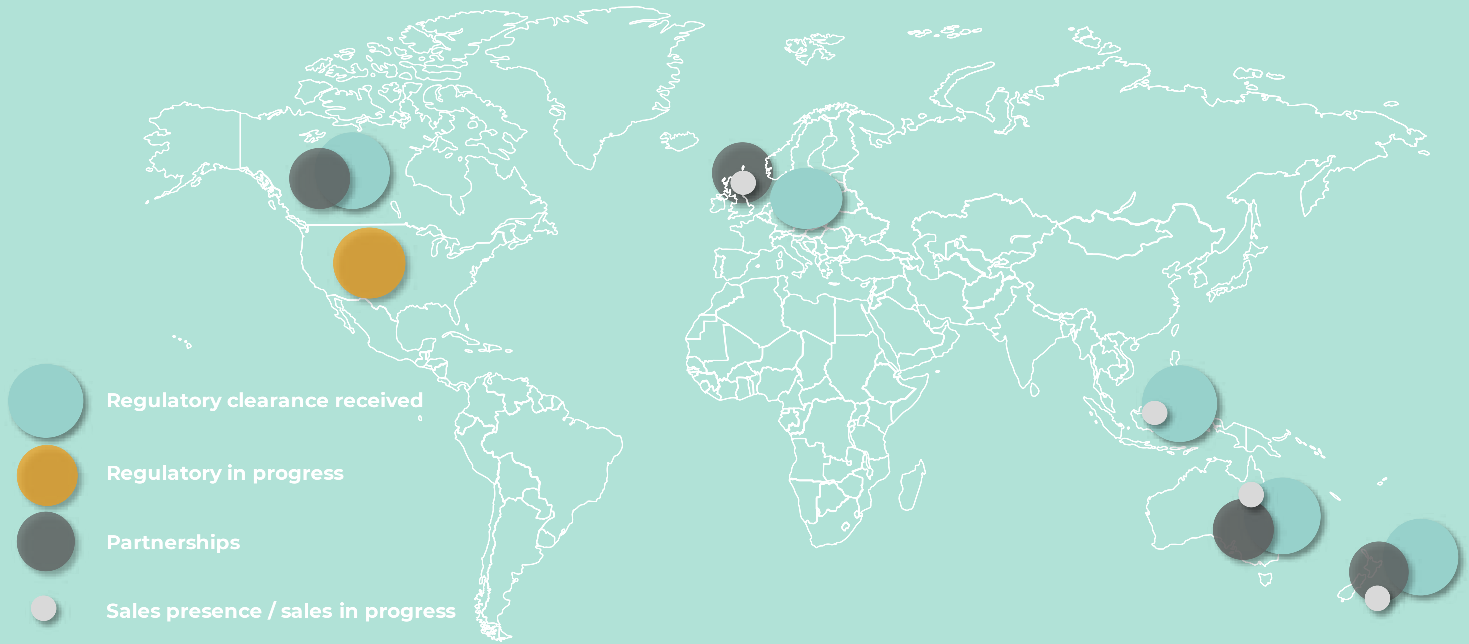
We have continued, despite the COVID-19 lockdown of UK facilities in the UK until early 2021, to maintain a presence in the UK market with a local sales and marketing team. New Residential Aged Care sales have continued in New Zealand and Singapore and we have established a partnership for the Home Care sector in Canada.

Plans to conduct PainChek® Adult App FDA studies in the USA have continued to be delayed by COVID-19. However during FY2021 we developed and commercially launched PainChek® Universal, which has clearance to sell in many other key markets. PainChek® Universal is a complete point-of-care solution that combines the existing PainChek® App with the Numerical Rating Scale (NRS) and data from PainChek® Analytics. This enables best-practice pain management for people living with pain in any environment — from those who cannot verbalise pain to those who can, and those who fluctuate between the two.

The Infant App received Australian TGA, CE Mark (Europe), UK, New Zealand, Singapore and Canada regulatory clearances. Furthermore, the PainChek Infant Face-Only pain assessment study was peer reviewed and accepted for publication in the Lancet Digital Scientific journal in July 2021.

We are negotiating partnerships for hospital access and distribution; The Nurse-led Volunteer Support and PainChek Frailty Study funded through the Ramsay Hospital Research Foundation (RHRF) commenced at the Hollywood Hospital in WA during March, and a second study at Ramsay's Joondalup Health Campus, also funded through the RHRF, is planned to evaluate the use of PainChek® Universal again combined with a nurse-led volunteer program.

GLOBAL MARKET ACCESS INCREASING



Likely Developments and Overview of Group Strategy

We aim to maintain and grow our position in the ANZ market by maintaining the current contracted beds above 120,000, grow integration partnerships with CMS partners and medication management providers, and transition customers onto commercial agreements after they have completed their government funded trial.

The Home Care market will be accessed, initially leveraging RAC partners that also have government funded home care packages in Australia . The Hospital market will be entered by leveraging existing studies with hospitals, partnering with medical device suppliers and by bundling the Infant and Adult App.

International market expansion is planned by expanding UK RAC beds penetration and developing the home, hospital and infant markets. In addition we continue to assess new market entry opportunities in Europe, Canada and Asia while continuing the de-Novo application with FDA for US market clearance.

The Infant market will be enabled following the completion of studies to support procedural pain indication. The initial market opportunities are focused in post-operative and post-vaccination pain monitoring and pain management for infants in the hospital and home care settings.

Subsequent events

No matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Remuneration Report (Audited)

Key Management Personnel

The report discloses the FY'21 remuneration arrangements and outcomes for the people listed below, who are the individuals within the Company who have been determined to be Key Management Personnel (KMP) in the financial year to 30 June 2021. Key Management Personnel (KMP) are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly.

Remuneration Policy

The remuneration policy of ***the Group*** has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of ***the Company*** believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors to run and manage the Company, as well as create goal congruence between Directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The remuneration policy, setting the terms and conditions for the executive Directors and other senior staff members, was developed and approved by the Board.
- In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

Performance Based Remuneration

The Company is a technology development entity and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives and Directors,executives and Directotrs are paid market rates associated with individuals in similar positions within the same industry. Options, equity-based performance incentives and cash bonus' have been and may be further issued to provide a performance-linked incentive component in the remuneration package for the executive and Directors, and for the future performance by the executives and Directors in managing the operations and strategic direction of the Company. All remuneration paid to Directors is valued at the cost to the Company and expensed. Options are valued using an appropriate valuation methodology. For details of Directors' and executives' interests in options and performance rights at year end, refer to section (d) of this remuneration report.

Short term incentive

Generally paid in cash and structured, with a focus on delivery of specific short-term objectives aligned with the company's strategies and goals and the Executives role in meeting these targets.

Remuneration Consultant

In August 2019, the Company engaged Eagan Associates Pty Ltd ("Eagan") to undertake a remuneration review of the executive director and non-executive directors salary and fees. Eagan received a fee of $14,700 to undertake the review and provide remuneration recommendations which are set out below and continue to be applied. No other advice has been sought from Eagan.

The Board is satisfied that Eagan's remuneration recommendation was made free from undue influence by the KMP to whom the recommendations relate given only the non-executive chairman had made contact, Eagan does not provide any other consulting services to the Group and does not have any prior or continuing relationship or association with the company or any members of the KMP.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to align the strategic goals of the Company to create value for shareholders, Directors and executives. The Company believes the policy has been effective in aligning the interests of the Company's key management personnel with the interests of its shareholders. For details of Directors' and executives' interests in equity securities at year end, refer to section (c) of this remuneration report.

	2017 (formerly ePAT technologies Ltd)	2018	2019	2020	2021
Share price at 30 June	$0.025	$0.056	$0.20	$0.115	$0.059
Loss for the year (continuing and discontinued operations)	($8,473,802	($4,810,532)	($3,262,418)	($12,392,659)	($6,063,647)
Loss for the year (continuing operations)	($8,473,802)	($4,810,532)	($3,262,418)	($12,392,659)	($6,063,647)
EPS for the year (continuing and discontinued operations)	(1.63) cents	(0.6) cents	(0.4) cents	(1.3) cents	(0.5) cents
EPS for the year (continuing operations)	(1.63) cents	(0.6) cents	(0.4) cents	(1.3) cents	(0.5) cents

Fixed remuneration is not linked to group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.

No dividends were paid by the Company nor was there any return of capital over the past 5 years.

Performance Income as a Proportion of total compensation

A short term incentive performance bonus of $75,000 was paid to Mr Daffas for the year ended 30 June 2020, based on Mr Daffas achieving certain internal KPI's.

Eagan's report recommended that the Company's non-executive director remuneration be supplemented with the following annual grant of Performance Rights for the financial years ended 30 June 2020, 2021 and 2022 as follows:

Directors	Fee	Performance Rights	Total remuneration
John Murray	$ 80,000	$ 40,000	$ 120,000
Andrew Davey	$ 40,000	$ 20,000	$ 60,000
Ross Harricks	$ 40,000	$ 20,000	$ 60,000
Total	$ 160,000	$ 80,000	$ 240,000

Non-executive director performance rights have no performance conditions as they are provided to supplement fixed director fees. The performance rights vest at end 30 June of each subsequent year provided the director remains a director of the Company at that date.

The notional value of performance rights approved by shareholders will differ to the value required to be recognised for accounting purposes in accordance with AASB 2 *Share Based Payments*.

Remuneration Consultant Benchmarks

The median total statutory remuneration of $120,000 for the Chairman represents 120% of the median total statutory remuneration of $100,000 benchmark in the Health and IT sector for companies with a market capitalisation of between $50 million and $200 million.

The median total statutory remuneration of $60,000 for a non-executive director represents 99% of the median total statutory remuneration of $60,857 benchmark in the Health and IT sector for companies with a market capitalisation of between $50 million and $200 million. At the 2019 Annual general meeting, shareholders approved the issue of Performance Rights to the non-executive directors on the following principles and terms:

a) each non-executive director will in each end of financial year on 30 June 2020, 2021 and 2022 receive 1/3 of their total annual remuneration in Performance Rights;
b) the number of Performance Rights issued for a year will be calculated based on the VWAP of the Company's ordinary shares calculated 5 days either side of and including the date of announcement of the company's annual statutory results for the financial year;
c) Performance Rights will vest at 30 June each subsequent year - being the end of the financial year subject to the director remaining a director of the Company at that date;
d) each Performance Right has the conditional right to acquire one Share;
e) the Performance rights are issued for Nil consideration;
f) the Performance Rights expire 3 months after the vesting date;
g) the Performance Rights are subject to the terms and conditions of the LTI Plan; and
h) the below table summarises the position:

Remuneration for year ended 30 June	Share price calculation date (estimated)	Grant date	Vesting date	Likely date that Performance Rights will convert to shares	Expiry Date of Performance Rights if not converted to shares
2020	5/09/2019	20/11/2019	30/06/2020	28/07/2020	30/09/2020
2021	4/09/2020	20/11/2019	30/06/2021	15/07/2021	30/09/2021
2022	3/09/2021	20/11/2019	30/06/2022	30/07/2022	30/09/2022

CEO remuneration review

The Eagan report recommended that the Company's CEO remuneration be supplemented with an annual grant of $200,000 worth of Performance Rights for the financial years ended 30 June 2020, 2021 and 2022.

The Company entered into a new agreement on 8th October 2019 with Philip Daffas to increase his fixed and variable cash remuneration to a maximum of $400,000 per annum which together with the proposed $200,000 grant of Performance Rights, will result in total statutory remuneration of $600,000 for FY21. The notional value of performance rights as set out in the AGM Notice will differ to the value required to be recognised for accounting purposes in accordance with AASB 2 *Share Based Payments*.

The total statutory remuneration of $600,000 for Philip Daffas represents 124% of the median total statutory remuneration of $483,812 benchmark in the Health and IT sector for companies with a market capitalisation of between $50 million and $200 million.

The Company received Shareholder approval at the 2019 AGM for the issue of Performance Rights to Philip Daffas to the value of $600,000 over the 3 years ending 30 June 2022, with an annual limit of $200,000 for Philip Daffas or his nominee(s) to acquire one Share for each Performance Right held pursuant to the LTI Plan and as part of Philip Daffas' remuneration.

The Performance Rights issued for a year will be issued at the VWAP of the Company's ordinary shares calculated 5 days either side of and including the date of announcement of the company's annual statutory results for the financial year preceding the financial year of the grant of the Performance Rights (**Award Issue Price**).

Vesting of the Performance Rights is conditional on the following:

a) 50% of the annual grant of $200,000 worth of Performance Rights will vest two years after the commencement of each vesting period on 1 October of the year of grant, subject to the Company's Share price achieving a compounded annual increase in Share price of 15% p.a. (Award Target Price) from the relevant Award Issue Price and provided that Philip Daffas remains employed by the Company at that date (unless he is a Good Leaver as defined in the LTI Plan in which case he retains the relevant pro rata portion of the grant subject to the increase in Share price vesting condition); and

b) 50% of the annual grant of $200,000 worth of Performance Rights will vest three years after the commencement of each vesting period on 1 October of the year of grant, subject to the Company's Share price achieving a compounded annual increase in Share price of 15% p.a. from the relevant Award Issue Price and provided that Philip Daffas remains employed by the Company on that date (unless he is a Good Leaver as defined in the LTI Plan in which case he retains the relevant pro rata portion of the grant subject to the increase in Share price vesting condition).

The Award Target Price will be calculated based on the 10 days VWAP leading up to and including the relevant vesting date

The following table summarises the above terms:

Remuneration for year ended 30 June	Share Price Calculation date (2022 year estimated)	Grant date	Vesting date assuming share price hurdle is met	Likely date that Performance Rights will convert to shares	Expiry Date of Performance Rights if not converted to shares
2020	5/09/2019	20/11/2019	50% on 1/10/2021; 50% on 1/10/2022	50% on 30/10/2021; 50% on 30/10/2022	50% on 1/1/2022; 50% on 1/1/2023
2021	4/09/2020	20/11/2019	50% on 1/10/2022; 50% on 1/10/2023	50% on 30/10/2022; 50% on 30/10/2023	50% on 1/1/2023; 50% on 1/1/2024
2022	3/09/2021	20/11/2019	50% on 1/10/2023; 50% on 1/10/2024	50% on 30/10/2023; 50% on 30/10/2024	50% on 1/1/2024; 50% on 1/1/2025

Remuneration Policy of Key Management Personnel

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced Directors and senior executives. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non-executive Directors

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting and is currently set at $400,000 as approved by shareholders at the 2019 AGM. Fees for non-executive Directors are not linked to the performance of the Company.

Directors' Fees

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for reasonable out of pocket expenses incurred as a result of their Directorship or any special duties.

Service Agreements

Philip Daffas, Managing Director (appointed 30 September 2016)

The Company entered into an Executive Services Agreement ("Agreement") with Mr Philip Daffas pursuant to which Mr Daffas was appointed as Managing Director of the Company as at 30 September 2016 which was varied on 8 October 2019. The key terms of the Agreement are:

- A salary of $250,000 per annum inclusive of superannuation;
- A short term incentive of up to $150,000 per annum at the boards discretion;
- An invitation to apply in respect of each of FY2020, FY2021 and FY2022 for an award of the number of performance rights equivalent to $200,000 divided by the volume weighted average price (VWAP) of PainChek Ltd shares, calculated 5 days either side of and including the date of announcement of the Company's annual statutory results for the financial year preceding the the financial year of the Award.

The Agreement may be terminated by either party at any time on the giving of not less than three (3) months' notice in writing.

Ian Hobson, Company Secretary and Chief Financial Officer (resigned 2 June 2021, appointed 30 September 2016)

The Company entered into a Consultancy Agreement ("Agreement") with Churchill Services Pty Ltd pursuant to which Mr Hobson was engaged to provide Company Secretarial and Chief Financial Officer services to the Company effective from 30 September 2016. Churchill Services Pty Ltd is to receive $200 per hour, exclusive of GST, for services provided by Mr Hobson. The agreement may be terminated by either party at any time with no notice period and was terminated on 2 June 2021 when Mr Hobson resigned.

Iain McAdam, Chief Financial Officer, appointed 22 March 2021

The Company entered into an Employment Agreement ("Agreement") with Mr Iain McAdam pursuant to which Mr McAdam was appointed as Chief Financial Officer of the Company as at 22 March 2021. The key terms of the Agreement are:

- A salary of $250,000 per annum inclusive of superannuation;
- A short term incentive of up to 20% of base salary, excluding superannuation, on achievement of the Company's and the Employee's annual goals and payable at the discretion of the PainChek Board;
- An offer of 5 million options in accordance with the Company's Long Term Incentive Plan ("LTIP"), 25% vest after 12 months of the grant date and the balance in quarterly instalments over the next 3 years, subject to continued employment and with a restriction on disposal of underlying shares (assuming options have vested and exercised) for 2 years from the date of issue of the options.

The Agreement may be terminated by either party at any time on the giving of not less than three (3) months' notice in writing.

Retirement Benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders. However, no retirement benefits other than statutory superannuation are currently paid.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

Name	Position	Term
Executives		
Philip Daffas	Managing Director	From 30 September 2016
Iain McAdam	Chief Financial Officer	From 22 March 2021
Ian Hobson	Chief Financial Officer and Company Secretary	From 30 September 2016 to 2 June 2021
Non-Executive Directors		
John Murray	Chairman	From 30 September 2016
Adam Davey	Non-Executive Director	From 30 September 2014
Ross Harricks	Non-Executive Director	From 30 September 2016

Except as detailed in Notes (b) – (d) to the Remuneration Report, no key management personnel have received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with key management personnel, a firm of which a member of key management personnel is a member or an entity in which a member of key management has a substantial financial interest.

(b) Compensation of Key Management Personnel

Remuneration Policy

The Board of Directors, comprising a majority of Non-Executive Directors, is responsible for determining and reviewing compensation arrangements for the key management personnel. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Remuneration of Directors is set out below.

The value of remuneration received, or receivable, by key management personnel for the financial year to 30 June 2021 is as follows:

2021	Short Term Employee Benefits		Equity Compensation		Post-employment		Performance related %
	Base Salary and Fees	Cash Bonus	Value of Options	Performance Rights	Superannuation Contributions	Total	
	$	$	$	$	$	$	
Directors							
John Murray [1]	73,059	-	-	39,492	6,941	119,492	33%
Philip Daffas[2]	231,507	75,000	-	145,162	18,493	470,162	47%
Ross Harricks[4]	36,530	-	-	19,746	3,470	59,746	33%
Adam Davey[3]	40,000	-	-	19,746	-	59,746	33%
Total Directors	**381,096**	**75,000**	**-**	**224,146**	**28,904**	**709,146**	32%
Iain McAdam	64,103	-	41,147	-	6,090	111,340	37%
Ian Hobson [5]	119,400	-	-	-	-	119,400	0%
Total	**564,599**	**75,000**	**41,147**	**224,146**	**34,994**	**939,886**	28%

2020	Short Term Employee Benefits		Equity Compensation		Post-employment		Performance related %
	Base Salary and Fees	Cash Bonus	Value of Options	Performance Rights	Superannuation Contributions	Total	
	$	$	$	$	$	$	
Directors							
John Murray [1]	69,406	-	2,213,955	78,258	6,594	2,368,213	97%
Philip Daffas[2]	318,570	-	3,689,925	88,688	25,000	4,122,183	92%
Ross Harricks[4]	34,703	-	1,106,977	39,129	3,297	1,184,106	97%
Adam Davey[3]	38,000	-	1,106,977	39,129	-	1,184,106	97%
Total Directors	**460,679**	**-**	**8,117,834**	**245,204**	**34,891**	**8,858,608**	94%
Ian Hobson [5]	142,720	-	-	-	-	142,720	0%
Total	**603,399**	**-**	**8,117,834**	**245,204**	**34,891**	**9,001,328**	93%

c) Shares Held by Key Management Personnel

2021	Balance at 1 July 2020	Performance Rights exercised	Bought & (Sold)	Shares issued in lieu of cash	Other	Balance at 30 June 2021
Directors						
John Murray	12,299,748	186,654	-	-	-	12,486,402
Philip Daffas	20,499,581		-	-	-	20,499,581
Ross Harricks	6,149,874	93,327	-	-	-	6,243,201
Adam Davey	9,690,638	93,327	-	-	-	9,783,965
	48,639,841	**373,308**	**-**	**-**	**-**	**49,013,149**
Other key management personnel						
Iain McAdam	-	-	12,961	-	-	12,961
Ian Hobson	-	-	-	-	-	-
	48,639,841	**373,308**	**12,961**	**-**	**-**	**49,026,110**

2020	Balance at 1 July 2019	Performance Rights exercised	Bought & (Sold)	Shares issued in lieu of cash	Other	Balance at 30 June 2020
Directors						
John Murray	-	24,599,497	(12,299,749)	-	-	12,299,748
Philip Daffas	-	40,999,162	(20,499,581)	-	-	20,499,581
Ross Harricks	-	12,299,748	(6,149,874)	-	-	6,149,874
Adam Davey	3,540,764	12,299,748	(6,149,874)	-	-	9,690,638
	3,540,764	**90,198,155**	**(45,099,078)**	**-**	**-**	**48,639,841**
Other key management personnel						
Ian Hobson	-	-	-	-	-	-
	3,540,764	**90,198,155**	**45,099,078**	**-**	**-**	**48,639,841**

d) Options Held by Key Management Personnel

2021	Balance at 1 July 2020	Received as Remuneration	Exercise of Options	Other	Balance at 30 June 2021	Vested and exercisable	Unvested
Directors							
John Murray	-	-	-	-	-	-	-
Philip Daffas	-	-	-	-	-	-	-
Ross Harricks	-	-	-	-	-	-	-
Adam Davey	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
Other key management personnel							
Iain McAdam	-	5,000,000	-	-	5,000,000	-	5,000,000
Ian Hobson	-	-	-	-	-	-	-
	-	**5,000,000**	**-**	**-**	**5,000,000**	**-**	**5,000,000**

2020	Balance at 1 July 2019	Received as Remuneration	Exercise of Options	Other	Balance at 30 June 2020	Vested and exercisable	Unvested
Directors							
John Murray	24,599,497	-	(24,599,497)	-	-	-	-
Philip Daffas	40,999,162	-	(40,999,162)	-	-	-	-
Ross Harricks	12,299,748	-	(12,299,748)	-	-	-	-
Adam Davey	12,299,748	-	(12,299,748)	-	-	-	-
	90,198,155	**-**	**(90,198,155)**	**-**	**-**	**-**	**-**
Other key management personnel							
Ian Hobson	-	-	-	-	-	-	-
	90,198,155	**-**	**(90,198,155)**	**-**	**-**	**-**	**-**

e) Performance Rights Held by Key Management Personnel

2021	Balance at 1 July 2020	Received as Remuneration	Conversion to shares	Other	Balance at 30 June 2021	Vested and Exercisable	Unvested
Directors							
John Murray	186,654	412,791	(186,654)	-	412,791	412,791	
Philip Daffas	933,270	2,063,957	-	-	2,997,227	-	2,997,227
Ross Harricks	93,327	206,396	(93,327)	-	206,396	206,396	
Adam Davey	93,327	206,396	(93,327)	-	206,396	206,396	
	1,306,578	**2,889,540**	**(373,308)**	**-**	**3,822,810**	**825,583**	**2,997,227**
Other key management personnel							
Iain McAdam	-	-	-	-	-	-	-
Ian Hobson	-	-	-	-	-	-	-
	1,306,578	**2,889,540**	**(373,308)**	**-**	**3,822,810**	**825,583**	**2,997,227**

2020	Balance at 1 July 2019	Received as Remuneration	Conversion to shares	Other	Balance at 30 June 2020	Vested and Exercisable	Unvested
Directors							
John Murray	-	186,654	-	-	186,654	186,654	-
Philip Daffas	-	933,270	-	-	933,270	-	933,270
Ross Harricks	-	93,327	-	-	93,327	93,327	-
Adam Davey	-	93,327	-	-	93,327	93,327	-
	-	**1,306,578**	**-**	**-**	**1,306,578**	**373,308**	**933,270**
Other key management personnel							
Ian Hobson	-	-	-	-	-	-	-
	-	**1,306,578**	**-**	**-**	**1,306,578**	**373,308**	**933,270**

Share, Performance Rights and Option Holdings
All equity dealings with Directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

f) Compensation Options and Performance Rights

Options
During the financial year ended 30 June 2021, 5,000,000 options were granted by the Company to Directors or Other Key Management Personnel (2020: Nil) and Nil options (2020: 90,198,155) were exercised by Directors or Other Key Management Personnel.

Performance rights
During the financial year ended 30 June 2021, 2,889,540 performance rights were granted by the Company to Directors in lieu of cash remuneration following the shareholder approval on 20 November 2019 (2020: 1,306,578). 825,583 of these performance rights (2020: 373,308) were exercised by Directors in July 2021.

<u>CEO performance rights</u>
The fair value at the date of grant of performance rights issued to the CEO is determined using a Monte-Carlo option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the performance right, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.

The value of the performance rights were calculated using the inputs shown below:

	Tranche 1A	**Tranche 1B**	**Tranche 2A**	**Tranche 2B**	**Tranche 3A**	**Tranche 3B**
Grant date	20 November 2019	20 November 2019	20 November 2019	20 November 2019	20 November 2019	20 November 2019
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Vesting conditions & vesting dates	Refer section "CEO remuneration review" above for vesting conditions and vesting dates					
Share price at date of grant	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29
Expiry date	1 January 2022	1 January 2023	1 January 2023	1 January 2024	1 January 2024	1 January 2025
Life of the instruments (years)	2.12	3.12	3.12	4.12	4.12	5.12
Underlying share price volatility	100%	100%	100%	100%	100%	100%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Pricing model	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation
Fair value per instrument	$0.1979	$0.1980	$0.1711	$0.1773	$0.1763	$0.1536

Non-executive director performance rights

The fair value at the date of grant of performance rights issued to the non-executive directors was calculated based on the share price at the date of issue ($0.29) (tranche 1), the value of the award specified in applicable years 2021 (tranche 2) and 2022 (tranche 3) over the vesting period.

The value of the performance rights were calculated using the inputs shown below:

	Tranche 1	Tranche 2	Tranche 3
Grant date	20 November 2019	20 November 2019	20 November 2019
Exercise price	Nil	Nil	Nil
Vesting date	30 June 2020	30 June 2021	30 June 2022
Share price at date of grant	$0.29	$0.29	$0.29
Expiry date	30 September 2020	30 September 2021	30 September 2022

g) Short term employee benefits

These amounts include director and consulting fees paid to non-executive directors as well as salary and paid leave benefits awarded to executive directors.

h) Post-employment benefits

These amounts are superannuation contributions made during the year.

Transactions with Directors and Director related entities

There were no other transactions with Directors or Director related entities during the year.

Loans to Key Management Personnel

There was no loans to KMP during the year.

End of Remuneration Report

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

The Group's operations are not subject to any significant environmental regulations where it operates.

MEETINGS OF DIRECTORS

The number of Directors' meetings held during the financial year each director held office and the number of meetings attended by each director are:

	Directors Meetings	
Director	**Meetings Attended**	**Number Eligible to Attend**
John Murray	12	12
Philip Daffas	12	12
Ross Harricks	12	12
Adam Davey	12	12

The full Board currently fulfils the duties of the Remuneration Committee and the Audit Committee.

OPTIONS

At the date of this report, the following options over new ordinary shares in the Company were on issue.

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted Options	22 July 2022	$0.0726	3,000,000
Unlisted Options	9 November 2023	$0.032	4,000,000
Unlisted Options	30 June 2022	$0.25	14,241,379
Unlisted Options	31 March 2024	$0.21	3,000,000
Unlisted Options	26 September 2024	$0.11	3,000,000
Unlisted Options	23 March 2025	$0.09	1,000,000
Unlisted Options	28 April 2025	$0.095	500,000
Unlisted Options	25 August 2025	$0.084	5,000,000
Unlisted Options	24 September 2025	$0.075	7,000,000

Nil ordinary shares were issued (2020: 121,967,121) as a result of the exercise of options during or since the financial year ended 30 June 2021.

PERFORMANCE RIGHTS

At the date of this report, the following performance rights, convertible for Nil consideration at a ratio of 1:1 into new ordinary shares in the Company were on issue.

Granted to	Date Right granted	Expiry date	Share price at date of grant	Value of performance rights approved at the AGM	No.of performance rights under plan
Non executive directors	20/11/2019	30/09/2021	$0.29	$78,928	825,583
Non executive directors	20/11/2019	30/09/2022	$0.29	$78,302	*
CEO	20/11/2019	01/01/2022	$0.29	$92,833	466,635
CEO	20/11/2019	01/01/2023	$0.29	$92,779	466,635
CEO	20/11/2019	01/01/2023	$0.29	$58,904	1,031,979
CEO	20/11/2019	01/01/2024	$0.29	$59,421	1,031,978
CEO	20/11/2019	01/01/2024	$0.29	$60,300	*
CEO	20/11/2019	01/01/2025	$0.29	$56,014	*
					3,822,810

*Number of rights for FY2022 to be determined at future date, equivalent to value of performance rights approved at the AGM divided by the volume weighted average price (VWAP) of PainChek Ltd shares, calculated 5 days either side of and including the date of announcement of the Company's annual statutory results for the financial year preceding the the financial year of the Award.

825,583 ordinary shares were issued as a result of the conversion of performance rights since the financial year ended 30 June 2021.

EQUITY HOLDINGS

The relevant interests of each director in the Company's share capital, options and performance rights at the date of this report are as follows:

Directors	Number of Shares	Number of Options	Number of Performance Rights
John Murray	12,486,402	-	412,791
Adam Davey	9,783,965	-	206,396
Philip Daffas	20,499,581	-	2,997,227
Ross Harricks	6,243,201	-	206,396
Total	**48,639,841**	**-**	**3,822,810**

INSURANCE OF OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The company has not insured against or indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE GROUP

The Group is not aware that any person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the amounts paid or payable to the auditor, BDO Audit Pty Ltd for audit services provided during the year are set out in note 21 to the financial report.

Non-audit services	2021 $	2020 $
BDO Audit Pty Ltd		
Tax advice services	-	-
Tax compliance services	-	-
Other assurance services	6,000	
Total remuneration for non-audit services	6,000	-

Auditor’s independence declaration

The auditor’s independence declaration is included on the following page.

Signed in accordance with a resolution of directors.

John Murray
Chairman

31 August 2021, Sydney, NSW

Auditor's independence declaration

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF PAINCHEK LIMITED

As lead auditor of PainChek Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PainChek Limited and the entities it controlled during the year.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 31 August 2021

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Revenue	3	233,887	297,175
Other income – R&D Grant & other rebates	4	1,136,601	848,835
Other income – Government Grant	5	1,750,000	1,750,000
Cost of sales		(639,010)	(265,173)
Research and development expenses		(2,652,106)	(2,270,461)
Marketing and business development expenses		(1,570,900)	(1,260,954)
Corporate administration expenses	6	(3,612,398)	(2,584,273)
Share based payment expenses	15	(709,720)	(8,907,808)
Loss before income tax		**(6,063,647)**	**(12,392,659)**
Income tax benefit	7	-	-
Loss for the period attributable to Owners of PainChek Limited		**(6,063,647)**	**(12,392,659**
Other comprehensive income, net of income tax			
Exchange differences relating to translation of foreign operations		(7,370)	(13,622)
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive loss for the period		**(6,071,017)**	**(12,406,281)**
Loss and total comprehensive loss attributable to:			
Owners of PainChek Limited		**(6,071,017)**	**(12,406,281)**
Loss per share:			
Basic and diluted (cents per share)	8	(0.55)	(1.3)

Notes to the financial statements are included on pages 34 to 58

Consolidated statement of financial position as at 30 June 2021

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Current assets			
Cash and cash equivalents	19	11,419,512	6,120,090
Trade and other receivables	9	372,929	77,599
Total current assets		**11,792,441**	**6,197,689**
Non-current assets			
Property, plant and equipment	10	18,455	17,952
Total non-current assets		18,455	**17,952**
Total assets		**11,810,896**	**6,215,641**
Current liabilities			
Trade and other payables	11	3,399,364	1,971,631
Provisions	12	167,153	115,553
Total current liabilities		**3,566,516**	**2,087,184**
Total liabilities		**3,566,516**	**2,087,184**
Net assets		**8,244,379**	**4,128,457**
Equity			
Issued capital	14	30,738,987	21,261,767
Reserves	15	12,790,230	12,095,111
Accumulated losses		(35,284,838)	(29,228,421)
Total equity		**8,244,379**	**4,128,457**

Notes to the financial statements are included on pages 34 to 58

Consolidated statement of changes in equity for the year ended 30 June 2021

Company	Note	Issued capital $	Reserves $	Accumulated losses $	Total $
Consolidated					
Balance at 1 July 2019		**17,755,759**	**3,200,925**	**(16,835,762)**	**4,120,922**
Loss for the year				(12,392,659)	(12,392,659)
Other comprehensive income		-	(13,622)	-	(13,622)
Total comprehensive loss for the period		-	(13,622)	(12,392,659)	(12,406,281)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares (*refer to note 14*)		1,000,000	-	-	1,000,000
Issue of ordinary shares on conversion of options (*refer to note 14*)		2,561,705	-	-	2,561,705
Share issue costs (*refer to note 14*)		(55,697)	-	-	(55,697)
Recognition of share based payments (*refer to note 15*)		-	8,907,808	-	8,907,808
Balance at 30 June 2020		**21,261,767**	**12,095,111**	**(29,228,421)**	**4,128,457**

Consolidated					
Balance at 1 July 2020		**21,261,767**	**12,095,111**	**(29,228,421)**	**4,128,457**
Loss for the year		-	-	(6,063,647)	(6,063,647)
Other comprehensive income		-	(14,600)	7,230	(7,370)
Total comprehensive loss for the period		-	(14,600)	(6,056,417)	(6,071,017)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares (*refer to note 14*)		10,000,000	-	-	10,000,000
Share issue costs (*refer to note 14*)		(522,781)	-	-	(522,781)
Recognition of share based payments (*refer to note 15*)			709,720	-	709,720
Balance at 30 June 2021		**30,738,986**	**12,790,231**	**(35,284,838)**	**8,244,379**

Notes to the financial statements are included on pages 34 to 58

Consolidated statement of cash flows for the year ended 30 June 2021

	Note	Consolidated	Consolidated
		Year ended	
	Note	30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Receipts from customers		168,293	374,164
Receipt from government grant		1,353,316	3,000,000
Payments to suppliers and employees		(6,787,569)	(6,149,850)
Interest received		19,090	40,162
Rebates and grants received		1,125,820	848,835
Net cash used in operating activities	19.1	**(4,121,050)**	**(1,886,689)**
Cash flows from investing activities			
Payments for property, plant and equipment		(60,032)	(45,561)
Net cash used in investing activities		**(60,032)**	**(14,501)**
Cash flows from financing activities			
Proceeds from issue of shares	14	10,000,000	3,561,705
(Payment) of share issue costs	14	(522,781)	(55,696)
Net cash (used in)/provided by financing activities		**9,477,219**	**3,506,009**
Net increase / (decrease) in cash and cash equivalents		**5,296,136**	**1,573,759**
Cash and cash equivalents at the beginning of the period		6,120,090	4,562,476
Effect of FX on cash balances		3,286	**(16,145)**
Cash and cash equivalents at the end of the period	19	**11,419,512**	**6,120,090**

Notes to the financial statements are included on pages 34 to 58

Notes to the financial statements for the year ended 30 June 2021

1. Significant accounting policies

Basis of preparation
PainChek Ltd (the "Consolidated Entity") is a listed public company, incorporated and domiciled in Australia. The group's principal activities are development and commercialization of mobile medical device applications that provide pain assessment for individuals that are unable to communicate with their carers.

The financial report is presented in Australian dollars.

The financial report is a general purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

Statement of Compliance
The financial report was authorised for issue on 31 August 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

Standards and Interpretations on issue not yet adopted

Certain new accounting standards and interpretations have been published that are not yet mandatory for 30 June 2021 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity has assessed the impact of these new standards and interpretations and does not expect that there would be a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations were applied for the first time during the year, but these changes did not have an impact on the Consolidated Entity's financial statements, and hence, have not been disclosed.

Going concern basis

The accompanying consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

As disclosed in the financial statements, the consolidated entity has net operating cash outflows for the year of $4,121,051 (2020: $1,886,689) and net current assets of $8,225,925 (30 June 2020: $4,110,595). The consolidated entity also generated a loss after tax of $6,063,647 (2020: $12,392,659).The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. As such, the group's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful commercialisation of its intellectual property in a manner that generates sufficient operating cash inflows.

The Directors believe that the preparation of the financial statements using the going concern basis of accounting is appropriate based on cash flow forecasts which show the Consolidated Entity is expected to be able to pay its debts as and when they fall due for the next 12 months and to realise the value of its assets and discharge its liabilities in the ordinary course of business. Key factors in those forecasts include:

- continued growth and commercialisation of the consolidated entity's products resulting in increases in revenue and cash flow;
- ability to reduce costs and implement efficiency improvements; and
- continued government support including receipt of Research & Development grants.

Significant accounting policies of the Consolidated Entity
Set out below are the significant accounting policies that have been applied in the preparation of the consolidated financial statements:

Fair Values
The fair values of consolidated entity's financial assets and financial liabilities approximate their carrying values due to short –term in nature. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of all subsidiaries of the Company and the results of all subsidiaries from the date that control was obtained. The Company controls another entity when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is fully transferred. They are deconsolidated from the date control ceases.

The financial statement of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest without a loss of control is accounted for as an equity transaction.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the financial statements. Losses incurred by the consolidated entity are attributed to the non-controlling interests in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary, together with any cumulative translation differences in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gains or losses in profit or loss.

(b) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(c) Impairment of non – financial Assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(d) Share-based Payment Transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a suitable option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient of the equity becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(e) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purpose of the Statement of Cash Flows, cash includes on hand and other funds held at call net of bank overdrafts.

(f) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.
The group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	Less than 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to theGroup. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporatebonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(j) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- costs of servicing equity;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(l) Revenue from Contracts with Customers and Government Grants

i) Software subscriptions

Revenue from the sale of term (subscription) licences is recognised on a straight line basis over the subscription term.

ii) Training

Revenue from the provision of training services is recognised typically at a point in time when the Company has provided training and has met the performance obligation.

iii) Software support (maintenance)

Revenue for software support is recognised on a straight line basis over the service period as performance obligations require the Consolidated Entity to respond to requests made by customers to provide technical product support and unspecified updates, upgrades and enhancements on a when-available and if-available basis.

iv) Incremental Costs of obtaining Customer Contracts

Commissions on software subscriptions are capitalised and amortised over the term, where the term is greater than 12 months.

v) Contract Liabilities

A contract liability is recognised when a customer initially purchases services and goods, it is released as they are delivered to the customer.

vi) Contract Assets (Trade Receivables and Work in progress)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Work in progress represents costs incurred and profit recognised for services that are in progress at balance date and the Company has an enforceable right to payment for its performance completed to date.

vii) Unsatisfied performance obligations

The Company continues to recognise its contract liabilities under AASB 15 in respect of any unsatisfied performance obligations, which are disclosed as *Unearned revenue* in the Statement of Financial Position.

viii) Financing components

The Company does not recognise adjustments to transition prices or Contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed one year.
The Company reviewed its prior year contracts and did not identify material adjustments in timing and amounts recognised as revenue in prior years.

ix) Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented. No adjustments was made to prior year numbers.

(n) Significant accounting judgements and key estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these statements, the key estimates made by management in applying the Consolidated Entity's accounting policies in particular to:

- Going concern – refer note 1 above.
- The valuation of share-based payments - refer to note 15;
- Recognition of Government Grant income when milestones are reasonably assured of being met as detailed in notes 4, 5 and 11; and
- Recognition of a payroll tax liability related to options issued – refer to note 11.

2. Segment information

Operating segments are presented using the 'management approach', where information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group operates predominantly in one segment, being the sale of its pain assessment solutions. The primary financial statements reflects this segment.

3. Revenue

	Consolidated 2021 $	Consolidated 2020 $
Subscription revenue – recognised over time	214,798	248,194
Interest income	19,089	48,981
Total Revenue	**233,887**	**297,175**

4. Other income

	Consolidated 2021 $	Consolidated 2020 $
ATO cash boost	50,000	50,000
COVID-19 government payments	28,280	-
Research & Development Tax Incentive	1,058,320	798,835
Total Other Income	**1,136,601**	**848,835**

Research and development tax incentive

The consolidated entity is eligible for the Commonwealth Government research and development tax incentive. To be eligible the company must meet stringent guidelines on what represents both core and supporting activities of research and development. Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received which generally coincides with lodgement of the return with the regulatory body.

5. Other income – government grants

	Consolidated 2021 $	Consolidated 2020 $
Government grant	1,750,000	1,750,000
Total government grants	**1,750,000**	**1,750,000**

In December 2019, the Australian Government signed a grant funding contract with the Company for the national trial of the PainChek application for Australians with dementia living in residential aged care facilities. The Grant ended 31 May 2021.

The intended outcome of the grant is to improve diagnosis and management of pain in people living with dementia in residential aged care. During this period, PainChek Limited also entered into agreements with end users acknowledging the Australian Government grant and allowing for the first period of those agreements to be funded in accordance with the Australian Government grant agreement.

During the year, the Group received $1,353,316 (FY20: $3,000,000) pursuant to the terms of the funding contract of which $1,750,000 (FY20: $1,750,000) has been recognised as income and at 30 June 2021 the balance of $853,316 (FY20: $1,250,000) has been recognised as deferred income – see note 11.

6. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	**Consolidated 2021**	**Consolidated 2020**
	$	$
Corporate administration expenses		
Salaries & oncosts	426,174	567,104
Superannuation	210,043	158,547
Payroll Tax assessment	1,400,414	-
Board fees	160,000	152,000
Company secretary fees	131,400	142,720
Consultants fees	272,234	439,608
Travel	28,156	185,840
Legal and professional fees	116,343	114,871
Regulatory	8,313	124,459
Share registry fees	55,169	54,862
ASX	80,035	105,935
Audit & tax	185,202	94,527
IT & telecommunications	144,246	106,631
Other administration expenses	394,669	337,169
	3,612,398	**2,584,273**

Payroll Tax Assessment
See also note 11

7. Income taxes

7.1 Income tax recognised in profit or loss	**Consolidated 2021**	**Consolidated 2020**
	$	$
Current tax expense/(income)	(1,501,202)	(1,075,247)
Deferred tax expense/(income)	(49,186)	10,487
Tax losses not recognised	1,550,388	1,064,760
Total Tax expense/(income)	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

	Consolidated 2021	**Consolidated 2020**
	$	$
Loss before tax from continuing operations	(6,063,646)	(12,392,659)
Income tax expense/(revenue) calculated at 26% (2020: 27.5%)	(1,576,548)	(3,407,982)
Effect of items that are not assessable/deductible in determining taxable loss:		
Non-deductible expenses	329,387	2,577,648
Non-assessable income	(303,227)	(234,427)
Effect of unused tax losses not recognised as deferred tax assets	1,550,388	1,064,761
	-	-

The tax rate used for the 2021 was 26% and 2020 was 27.5% to calculate the reconciliations above being the corporate tax rate payable by Australian corporate entities on taxable profits under Australian tax law in those years.

The Company has no franking credits available for recovery in future years.

7.2	*Income tax recognised directly in equity*	Consolidated 2021 $	Consolidated 2020 $
	Current tax		
	Share issue costs	(135,923)	(55,696)
	Deferred tax		
	Share issue costs deductible over 5 years	-	-
		(135,923)	(55,696)

7.3	*Unrecognised deferred tax assets*	Consolidated 2021 $	Consolidated 2020 $
	Unused tax losses (revenue) for which no deferred tax assets have been recognised	3,101,481	3,523,109
	Temporary differences	293,555	218,750

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Group complies with continuity of business / same business test and the conditions for deductibility imposed by tax legislation.

8. Loss per share

	Consolidated 2021 $	Consolidated 2020 $
Basic and diluted loss per share (cents per share)	**(0.55)**	**(1.3)**

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Consolidated 2021 $	Consolidated 2020 $
Loss for the year attributable to the owners of the Company	**(6,063,647)**	**(12,392,659)**

	Consolidated 2021 No.	Consolidated 2020 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,111,992,128**	**989,161,514**

Options and Performance Rights on issue are considered to be anti-dilutive while the entity is making losses.

9. Trade and other receivables

	Consolidated 2021 $	Consolidated 2020 $
Other receivables	315,822	69,094
Prepayments	57,107	8,505
	372,929	**77,599**

At the reporting date, no receivables are past due.

10. Property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Carrying amounts of		
Computer Equipment – at cost	**32,600**	**21,036**

Cost	Consolidated 2021 $	Consolidated 2020 $
Balance at 1 July 2020	66,036	20,475
Additions	60,032	45,561
Disposals	-	-
Balance at 30 June 2021	**126,249**	**66,036**

Accumulated depreciation	Consolidated 2021 $	Consolidated 2020 $
Balance at 1 July 2020	(48,084)	4,759
Depreciation expense	(59,259)	43,325
Disposals		-
Balance at 30 June 2021	(107,613)	48,084
Net book value	**18,455**	**17,952**

11. Trade and other payables

	Consolidated 2021 $	Consolidated 2020 $
Trade creditors	325,135	231,207
Deferred income	853,316	1,250,000
Contract liability	191,893	-
Accruals and other payables	2,196,172	490,424
	3,399,364	**1,971,631**

Trade creditor payment terms are 30 days from end of month.

Dererred income comprises the Federal Government Grant received and recognised as deferred income until the related costs, for which the grant is intended to compensate, are incurred.

Contract liability is the customer initial payments for subscriptions and training recognised as a contract liability until the services are delivered. Customer terms vary between 1 month and 1 year payment in advance.

Payroll Tax liability

Accruals and Other Payables includes $1,400,414 Payroll Tax assessment received, relating to the 30 June 2020 year.

The NSW Office of State Revenue issued an amended 2020 payroll tax assessment in relation to options issued in 2016 and exercised in 2020. This assessment indicated that Painchek had a liability of $1.4m (including penalties) related to the 2020 financial year.

Painchek has accrued for this liability in full in its 30 June 2021 financial statements.

12. Provisions

	Consolidated 2021 $	Consolidated 2020 $
Provision for employee entitlements	167,153	115,553

13. Subsidiaries

The consolidated financial statements include the financial statements of PainChek Limited and its wholly owned subsidiary companies Electronic Pain Assessment Technologies (EPAT) Pty Ltd and PainChek UK Limited.

14. Issued capital

	Consolidated 2021 $	Consolidated 2020 $
1,126,804,799 fully paid ordinary shares (June 2020: 1,035,522,400)	**30,738,987**	**21,261,768**

	2021 Number	2020 Number	2021 $	2020 $
Movements during the period				
Balance at beginning of the period	1,035,522,400	906,658,727	21,261,767	17,755,759
Placement – issued at $0.11 (FY20: $0.25) per share	90,909,091	6,896,552	10,000,000	1,000,000
Exercise of options – exercise price from $0.02 to $0.25	-	121,967,121	-	2,561,704
Exercise of performance rights – exercise price $0.00	373,808	-	-	
Capital raising costs (net of tax)	-	-	(522,781)	(55,696)
Balance at end of period	**1,126,804,799**	**1,035,522,400**	**30,738,987**	**21,261,767**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

15. Reserves

	Consolidated 2021 $	Consolidated 2020 $
Balance at beginning of the reporting period	12,095,111	3,200,925
Share based payments reserve	709,720	8,907,808
Foreign currency translation reserve	(14,600)	(13,622)
Total reserves at end of period	**12,790,231**	**12,095,111**

Reconcilation of movement in reserves

	Share based payments reserve	Foreign exchange reserve	Total
Opening balance	12,108,733	(13,622)	12,095,111
Foreign exchange gain/loss recognised	-	(14,600)	(14,600
Share based payments reserve	709,720	-	709,720
Total reserves at end of period	**12,818,453**	**(28,222)**	**12,790,231**

The foreign currency translation reserve records exchange rate differences arising from the translation of the financial statements of foreign subsidiaries.

The share based payments reserve is used to record the value of share based payments provided to employees as part of their remuneration and to consultants for services provided.

Financial instruments

16.1 Capital management

The Group manages its capital to ensure entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The Group is not subject to any externally imposed capital requirements.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements.

16.2 Categories of financial instruments

	Consolidated 2021 $	Consolidated 2020 $
Financial assets		
Cash and cash equivalents	11,419,512	6,120,090
Trade and other receivables	372,929	77,599
	11,792,441	**6,197,689**
Financial liabilities		
Trade and other payables	2,354,155	721,631
	2,354,155	**721,631**

The fair value of the above financial instruments approximates their carrying values.

16.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

16.4 Market risk

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 16.5 below).

16.5 Interest rate risk management

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2021 would increase/decrease by $120,000 (2020:$61,000).

16.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

16.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	Contractual cash flows					
	Carrying Amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
2021						
Trade and other payables	2,354,155	2,354,155	-	-	-	2,354,155
2020						
Trade and other payables	721,631	721,631	-	-	-	**721,631**

17. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	Consolidated 2021 $	Consolidated 2020 $
Short-term employee benefits	639,599	603,399
Post-employment benefits	34,994	34,891
Share-based payments	265,293	8,363,038
	939,886	**9,001,328**

18. Related party transactions

18.1 Entities under the control of the Group

	Country of Incorporation	Perecentage Owned (%)* 2021	Perecentage Owned (%)* 2020
Parent Entity: PainChek Ltd	Australia		
Electronic Pain Assessment Technology (EPAT) Pty Ltd	Australia	100%	100%
PainChek UK Limited	England	100%	100%

*Percentage of voting power is proportional to ownership

18.2 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to note 17.

18.3 Other related party transactions

All transactions between the Group and related parties are on an arms-length basis.

19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Consolidated 2021 $	Consolidated 2020 $
Cash and bank balances	11,419,512	6,120,090

19.1 Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2021 $	Consolidated 2020 $
Cash flow from operating activities		
Loss for the year	(6,063,647)	(12,392,659)
Adjustments for:		
Depreciation	59,529	43,026
Share based payments	709,720	8,907,808
Movements in working capital		
(Increase)/decrease in other receivables	(232,622)	92,283
(Increase)/decrease in prepayments	(48,562)	1,288
Increase/(decrease) in trade and other payables	1,402,932	1,409,261
Increase in provisions	51,600	52,306
Net cash outflows from operating activities	**(4,121,050)**	**(1,886,689)**

20. Commitments and contingencies

As per agreement with KPMG for Monitoring and Evaluation of the National Rollout of PainChek dated 4 February 2021, Company has agreed to Fees, payable in 4 stages on in accordance with a deliverable schedule. The remaining commitment is $175,749 is due in less than 12 months.

21. Remuneration of auditors

Auditor of the parent entity

	Consolidated 2021 $	Consolidated 2020 $
Audit and review of the financial statements	63,359	54,129
Other non-audit services	6,000	-
	69,359	**54,129**

The auditors of PainChek Ltd are BDO Audit Pty Ltd.

22. Events after the reporting period

There are no events after the reporting period significant enough for disclosure.

23. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the 2020 financial information shown below, are the same as those applied in the financial statements. Refer to note 1 for a summary of significant accounting policies relating to the Group. The legal Parent Entity of the Consolidated Entity is Painchek Limited.

Financial position of PainChek Limited

	2020 $	2019 $
Assets		
Current assets	11,444,688	5,914,148
Non-current assets	15,050	-
Total assets	**11,459,738**	**5,914,148**
Liabilities		
Current liabilities	3,067,649	1,689,885
Provisions	147,709	95,807
Non-current liabilities	-	-
Total liabilities	**3,215,358**	**1,785,692**
Net assets	**8,244,380**	**4,128,457**
Equity		
Issued capital	39,493,692	30,016,473
Reserves	12,857,465	12,147,745
Accumulated losses	(44,106,777)	(38,035,761)
Total equity	**8,244,380**	**4,128,457**
Financial performance		
Loss for the year	**(6,071,016)**	**(12,470,433)**

24. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 31 August 2021.

25 SHARE BASED PAYMENTS

Performance rights

The Company has granted performance rights to the non-executive directors (NEDs) and the CEO at the 2019 AGM. The performance rights were granted for nil consideration and are not quoted on the ASX. Performance rights granted carry no dividend or voting rights. When vested, each performance right is convertible into one ordinary share.

Details of performance right issued, exercised and expired during the financial year are set out below:

				Movements				
Expiry Date	Tranche	Exercise Price	VWAP Price	1 July 2020	Issued	Exercised	Expired / Forfeited	30 June 2021
30/09/2020	NEDs 1	$Nil	$0.29	373,308	-	(373,308)	-	-
30/09/2021	NEDs 2	$Nil	$0.10	-	825,583	-	-	825,583
30/09/2022	NEDs 3	$Nil	*	-	-	-	-	-
01/01/2022	CEO 1A	$Nil	$0.21^	466,635	-	-	-	466,635
01/01/2023	CEO 1B	$Nil	$0.21^	466,635	-	-	-	466,635
01/01/2023	CEO 2A	$Nil	$0.10^	-	1,031,979	-	-	1,031,979
01/01/2024	CEO 2B	$Nil	$0.10^	-	1,031,978	-	-	1,031,978
01/01/2024	CEO 3A	$Nil	*	-	-	-	-	-
01/01/2025	CEO 3B	$Nil	*	-	-	-	-	-
				1,306,578	2,889,540	(373,308)	-	3,822,810

The performance rights outstanding at the end of the year had a weighted average exercise price of nil and a weighted average remaining contractual life of 0.8 years (2020: 1.3 years)

*Number of rights for FY2022 to be determined at future date, equivalent to value of rights approved at the AGM divided by the volume weighted average price (VWAP) of PainChek Ltd shares, calculated 5 days either side of and including the date of announcement of the Company's annual statutory results for the financial year preceding the the financial year of the Award.
^ Refer details of vesting conditions below.

The following table shows the calculation of the Performance Rights issued as part of Philip Daffas' remuneration for holding office during FY20 and FY21 and vesting dates, if Philip Daffas remains in office and the relevant Award Target Price is achieved on the relevant vesting date:

Annual Value of Performance Rights for FY20 and FY21	Share price calculated based on the VWAP 5 days (and including the day of) either side of FY19 and FY20 statutory results	No. of Performance Rights	Vesting Date	Award Target Price
$100,000	$0.2143	466,636	1 October 2021	$0.2834
$100,000	$0.2143	466,635	1 October 2022	$0.3259
$100,000	$0.0969	1,031,979	1 October 2022	$0.1282
$100,000	$0.0969	1,031,979	1 October 2023	$0.1474

The performance shares have the following key terms and conditions:

Non- executive directors:

a) each non-executive director will in each end of financial year on 30 June 2020, 2021 and 2022 receive 1/3 of their total annual remuneration in Performance Rights;
b) the number of Performance Rights issued for a year will be calculated based on the VWAP of the Company's ordinary shares calculated 5 days either side of and including the date of announcement of the company's annual statutory results for the financial year;
c) Performance Rights will vest at 30 June each subsequent year - being the end of the financial year subject to the director remaining a director of the Company at that date;
d) each Performance Right has the conditional right to acquire one Share;
e) the Performance rights are issued for Nil consideration;
f) the Performance Rights expire 3 months after the vesting date
g) the Performance Rights are subject to the terms and conditions of the LTI Plan

CEO

The issue of Performance Rights to Philip Daffas to the value of $600,000 over the next 3 years with an annual limit of $200,000 for Philip Daffas or his nominee(s) to acquire one Share for each Performance Right held pursuant to the LTI Plan and as part of Philip Daffas' remuneration.

The Performance Rights issued for a year will be issued at the VWAP of the Company's ordinary shares calculated 5 days either side of and including the date of announcement of the company's annual statutory results for the financial year preceding the financial year of the grant of the Performance Rights (**Award Issue Price**).

a) 50% of the annual grant of $200,000 worth of Performance Rights will vest two years after the commencement of each vesting period on 1 October of the year of grant, subject to the Company's Share price achieving a compounded annual increase in Share price of 15% p.a. (Award Target Price) from the relevant Award Issue Price and provided that Philip Daffas remains employed by the Company at that date (unless he is a Good Leaver as defined in the LTI Plan in which case he retains the relevant pro rata portion of the grant subject to the increase in Share price vesting condition); and

b) 50% of the annual grant of $200,000 worth of Performance Rights will vest three years after the commencement of each vesting period on 1 October of the year of grant, subject to the Company's Share price achieving a compounded annual increase in Share price of 15% p.a. from the relevant Award Issue Price and provided that Philip Daffas remains employed by the Company on that date (unless he is a Good Leaver as defined in the LTI Plan in which case he retains the relevant pro rata portion of the grant subject to the increase in Share price vesting condition).

Fair value of performance shares granted

The assessed fair value at the date of grant of performance shares issued is determined using a option pricing models that takes into account the exercise price, the underlying share price at the time of issue, the term of the performance share, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.

The value of the performance shares was calculated using the inputs shown below:

Non- executive directors

The fair value at the date of grant of performance rights issued to the non-executive directors was calculated based on the share price at the date of issue ($0.29) (tranche 1), the value of the award specified in applicable years 2021 (tranche 2) and 2022 (tranche 3) over the vesting period.

	Tranche 1	**Tranche 2**	**Tranche 3**
Grant date	20 November 2019	20 November 2019	20 November 2019
Exercise price	Nil	Nil	Nil
Vesting condition	Refer above	Refer above	Refer above
Vesting date	30 June 2020	30 June 2021	30 June 2022
Share price at date of grant	$0.29	$0.29	$0.29
Expected dividends	nil	nil	nil
Expiry day	30 September 2020	30 September 2021	30 September 2022
Life of instrument	0.9	1.9	2.9
Fair value of instrument	$108,259	$78,927	$78,301

The performance rights outstanding at the end of the year had a weighted average exercise price of nil and a weighted average remaining contractual life of 0.8 years (2020:1.3 years)

CEO

	Tranche 1A	Tranche 1B	Tranche 2A	Tranche 2B	Tranche 3A	Tranche 3B
Grant date	20/11/19	20/11/19	20/11/19	20/11/19	20/11/19	20/11/19
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Vesting conditions	Refer above - 50% will vest after 2 years from grant date	Refer above - 50% will vest after 3 years from grant date	Refer above - 50% will vest after 3 years from grant date	Refer above - 50% will vest after 4 years from grant date	Refer above - 50% will vest after 4 years from grant date	Refer above - 50% will vest after 5 years from grant date
Share price calculation date	5 September 2019	5 September 2019	5 September 2020	5 September 2020	5 September 2021	5 September 2021
Vest date	1 Oct 2021	1 Oct 2022	1 Oct 2022	1 Oct 2023	1 Oct 2023	1 Oct 2024
Share price at date of grant	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Expiry date	1 January 2022	1 January 2023	1 January 2023	1 January 2024	1 January 2024	1 January 2025
Life (years)	2.12	3.12	3.12	4.12	4.12	5.12
Fair value	$0.1979	$0.1980	$0.1711	$0.1773	$0.1763	$0.1536
Volatility	100%	100%	100%	100%	100%	100%
Risk free rate	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Pricing model	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation	Monte-Carlo Simulation

The performance rights outstanding at the end of the year had a weighted average exercise price of nil and a weighted average remaining contractual life of 2 years (2020:3 years)

Summary of vesting dates

Non-executive directors

Remuneration for year ended 30 June	Share price calculation date (estimated)	Grant date	Vesting date	Likely date that Performance Rights will convert to shares	Expiry Date of Performance Rights if not converted to shares
2020	5/09/2019	20/11/2019	30/06/2020	30/07/2020	30/09/2020
2021	5/09/2020	20/11/2019	30/06/2021	30/07/2021	30/09/2021
2022	5/09/2021	20/11/2019	30/06/2022	30/07/2022	30/09/2022

CEO

The Award Target Price will be calculated based on the 10 days VWAP leading up to and including the relevant vesting date.The following table summarises the above terms:

Remuneration for year ended 30 June	Share Price Calculation date (estimated)	Grant date	Vesting date assuming share price hurdle is met	Likely date that Performance Rights will convert to shares	Expiry Date of Performance Rights if not converted to shares
2020	5/09/2019	20/11/2019	50% on 1/10/2021; 50% on 1/10/2022	50% on 30/10/2021; 50% on 30/10/2022	50% on 1/1/2022; 50% on 1/1/2023
2021	5/09/2020	20/11/2019	50% on 1/10/2022; 50% on 1/10/2023	50% on 30/10/2022; 50% on 30/10/2023	50% on 1/1/2023; 50% on 1/1/2024
2022	5/09/2021	20/11/2019	50% on 1/10/2023; 50% on 1/10/2024	50% on 30/10/2023; 50% on 30/10/2024	50% on 1/1/2024; 50% on 1/1/2025

Options

Details of options issued, exercised and expired during the financial year are set out below:

			Movements				
Expiry Date	**Tranches**	**Exercise Price**	**1 July 2020**	**Issued**	**Exercised**	**Expired**	**30 June 2021**
7 October 2019	1	$0.025	-	-	-	-	-
24 November 2019	2	$0.02	-	-	-	-	-
3 October 2021	3	$0.36	5,000,000	-	-	-	5,000,000
22 July 2022	4	$0.0726	3,000,000	-	-	-	3,000,000
9 November 2023	5	$0.032	4,000,000	-	-	-	4,000,000
30 June 2022	5	$0.25	14,241,379	-	-	-	14,241,379
31 March 2024	7	$0.21	3,000,000	-	-	-	3,000,000
26 September 2024	8	$0.11	3,000,000	-	-	-	3,000,000
23 March 2025	9	$0.090	-	1,000,000	-	-	1,000,000
28 May 2025	10	$0.095	-	500,000	-	-	500,000
25 August 2025	11	$0.084	-	5,000,000	-	-	5,000,000
24 September 2025	12	$0.075	-	7,000,000	-	-	7,000,000
			32,241,379	13,500,000	-	-	45,741,379

The share options outstanding at the end of the year had a weighted average exercise price of $0.1647 and a weighted average remaining contractual life of 1.1 years (2020: 2.4 years)

Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using a option pricing models that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.

The value of the options was calculated using the inputs shown below:

	1	2	3	4	5	6	7	8	9	10	11	12
Grant date	7 Oct 2016	24 Nov 2019	5 Apr 2017	22 Jan 2018	9 May 2019	21 Jun 2019	30 Sept 2019	26 Mar 2020	23 Sept 2020	28 Oct 2020	26 Feb 2021	24 mar 2021
Exercise price	$0.025	$0.02	$0.04	$0.07	$0.03	$0.25	$0.21	$0.11	$0.09	$0.10	$0.08	$0.08
Vesting conditions	NA	Refer below	Note1	Note 1	Note1	Free attaching options	Note1	Note1	Note1	Note1	Note1	Note 2
Share price at grant date	$0.02	$0.02	$0.04	$0.06	$0.07	$0.19	$0.30	$0.08	$0.09	$0.09	$0.08	$0.08
Expiry date	7 Oct 2019	24 Nov 2019	03-October-2021	22-July-2022	09-November-2023	30-June-2022	31-March-2024	26-September-2024	23-March-2025	28-May-2025	25-August-2025	24-September-2025
Life of the instruments	3	3	4.5	4.5	4.5	3.0	4.5	4.5	4.5	4.6	4.5	4.5
Underlying share price volatility	100%	100%	100%	100%	100%	NA	100%	100%	100%	100%	100%	100%
Expected dividends	nil	Nil	nil	nil	nil	NA	nil	nil	nil	nil	nil	nil
Risk free interest rate	1.54%	1.54%	1.95%	1.95%	1.48%	NA	1.48%	0.47%	0.47%	0.47%	0.47%	0.47%
Pricing model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	NA	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Fair value per instrument	$0.01	$0.02	$0.03	$0.04	$0.06	$0.00	$0.23	$0.05	$0.07	$0.07	$0.05	$0.05

* Vesting condition for all tranches - 25 % of the options issued to the employee vest after 12 months employment and balance in quarterly instalments, subject to continued full time employment except tranche 10 where 5,000,000 of the options have a further restriction that the underlying shares canot be disposed of until 2 years after grant date.

Expenses arising from share-based payment transactions

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INDEPENDENT AUDITOR'S REPORT

To the members of PainChek Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PainChek Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of preparation of financial statements

Key audit matter	***How the matter was addressed in our audit***
The Group's disclosures around the basis of preparation and going concern assumption are included in Note 1 which details results of the group during the year and mitigating factors. As detailed in Note 1 the financial statements have been prepared by the Group on a going concern basis. Given the results of the Group and mitigating factors going concern was considered a key audit matter due to there being significant judgement involved in assessing the Group's forecast cashflows (for a period of at least 12 months from the audit report date) and this matter requiring significant auditor effort.	Our procedures included, amongst others: • Obtaining and evaluating management's assessment of the Group's ability to continue as a going concern for at least 12 months from the date of our auditor's report. • Evaluating management's cash-flow forecasts and challenging management's assumption applied around future sales, operating costs and resulting cash flows. • Assessing management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of audit report. • Assessing the appropriateness of the Group's going concern basis of preparation disclosures in the financial statements for consistency with Australian Accounting Standards.

Revenue Recognition and other income

Key audit matter	*How the matter was addressed in our audit*
Recognition of Revenue and Other Income was identified as a key audit matter due to the significance to the financial report and the complex nature of the agreements entered into by the Group. The assessment of revenue recognition and income required significant auditor effort and judgement.	We have performed the following procedures to address this risk in the financial report: • Reviewing the terms and conditions of the agreements entered into in the current and prior year to determine the relevant accounting standard to be applied to the various revenue and income streams. • Assessing the accounting policy adopted for recognition of revenue and other income and assessing compliance with AASB 15 *Revenue from Contracts with Customers* ('AASB 15') or AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* ('AASB 120'). • Verified government grant income to bank statements and ensured income is recognised in the correct period and in compliance with AASB 120. • For a sample of transactions, vouching to supporting documentation such as invoices and receipts and assessing compliance against the accounting policy adopted including the recognition of any contract liability or deferred income. • Assessed the adequacy of the disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PainChek Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO
T Mann

T R Mann
Director

Brisbane, 31 August 2021

Additional Shareholder Information

The following additional information is current as at 26 September 2021.

CORPORATE GOVERNANCE:

The Company's Corporate Governance Statement is available on the company's website at www.painchek.com/corporate-governance

SUBSTANTIAL SHAREHOLDER:

Holder Name	Holding	% IC
PETERS INVESTMENTS PTY LTD	113,000,000	9.977%

Ordinary Shares:

Holdings Ranges	Holders	Total Units	%
1-1,000	86	13,631	0
1,001-5,000	505	1,737,719	0.15
5,001-10,000	873	6,768,375	0.6
10,001-100,000	2,484	97,773,376	8.63
100,001-9,999,999,999	1,027	1,026,337,281	90.62
Totals	**4,975**	**1,132,630,382**	**100**

There are 76 shareholders with less than a marketable parcel.

VOTING RIGHTS

Each fully paid ordinary share carries voting rights of one vote per share.

THE TOP 20 HOLDERS OF ORDINARY SHARES ARE:

Name	Balance as at 26-09-2021	%
PETERS INVESTMENTS PTY LTD	113,000,000	9.977%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,338,803	3.650%
J&E CONSULTING PTY LTD	37,003,125	3.267%
MR MUSTAFA ABDUL WAHED ATEE	37,003,125	3.267%
DR KRESHNIK HOTI	37,003,125	3.267%
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	26,033,862	2.299%
MR PHILIP DAFFAS	20,499,581	1.810%
THORNBURY NOMINEES PTY LTD <THE STEVENS FAMILY S/F A/C>	15,050,000	1.329%
G & G CHILCOTT PTY LTD <G & G CHILCOTT S/F A/C>	13,927,169	1.230%
MR ROBERT ANTHONY HEALY	12,857,143	1.135%
NANJOP PTY LTD <THE MURRING FAMILY A/C>	12,299,748	1.086%
MR ALLAN GRAHAM JENZEN & MRS ELIZABETH JENZEN <AG & E JENZEN P/L NO2 SF A/C>	12,277,974	1.084%
CITICORP NOMINEES PTY LIMITED	11,890,945	1.050%
CAPPER SUPERANNUATION PTY LTD <CAPPER SUPER FUND A/C>	11,674,331	1.031%
XTREME NOMINEES PTY LTD <THE INVESTMENT UNIT A/C>	11,654,791	1.029%
MR ROBERT ANTHONY HEALY	11,000,000	0.971%
MS ELOISE KATHLEEN JENNINGS & MR ANDREW JOHN HOPKINS <JENNINGS HOPKINS DISCRET A/C>	10,599,791	0.936%
MS ELOISE KATHLEEN JENNINGS & MR ANDREW JOHN HOPKINS <JENNINGS HOPKINS S/F A/C>	10,486,709	0.926%
BRADAN INVESTMENTS PTY LIMITED <MCGUIRK FAMILY A/C>	10,000,000	0.883%
MR CRAIG ROBERT WILLIAMSON	9,433,000	0.833%
Total Securities of Top 20 Holdings	465,033,222	41.058%
Total of Securities	**1,132,630,382**	

Unquoted Equity Securities

Number	Number of Holders	Class	Holders of more than 20%
8,541,782	1	PCKAA Performance Rights	Phillip Daffas (6,957,624)
3,000,000	1	Options exercisable at $0.0726 expiring of 22 July 2022	Issued pursuant to ESOP
4,000,000	3	Share options with an exercise price of $0.032 and an expiry date of 23rd November 2023.	Issued pursuant to ESOP
14,241,379	12	Share options with an exercise price of $0.25 and an expiry date of 30 June 2022	Peters Investments Pty Ltd (6,896,551)
3,000,000	1	Share options with an exercise price of $0.21 and an expiry date of 31 March 2024	Issued pursuant to ESOP
3,000,000	1	Share options with an exercise price of $0.11 and an expiry date of 26 September 2024	Issued pursuant to ESOP
1,000,000	1	Share options with an exercise price of $0.09 and an expiry date of 23 March 2025	Issued pursuant to ESOP
500,000	1	Share options with an exercise price of $0.095 and an expiry date of 28 May 2025	Issued pursuant to ESOP
5,000,000	3	Share options with an exercise price of $0.084 and an expiry date of 25 August 2025	Issued pursuant to ESOP
7,000,000	2	Share options with an exercise price of $0.075 and an expiry date of 24 September 2025	Issued pursuant to ESOP

Use of Funds

The entity has used the cash and assets in a form readily convertible into cash at the time of listing in a way that is consistent with its business objectives.

There is no current share buy-back

Corporate directory

Board of Directors

Mr John Murray	Non-Executive Chairman
Mr Philip Daffas	Managing Director
Mr Adam Davey	Non-Executive Director
Mr Ross Harricks	Non-Executive Director

Company Secretary

Ms Sally McDow

Registered Office

Suite 401, 35 Lime Street,
Sydney, NSW, 2000

Principal Place of Business

Suite 401, 35 Lime Street
Sydney NSW 2000

Website

Website: www.painchek.com

Auditor

BDO Audit Pty Ltd

Share Registry

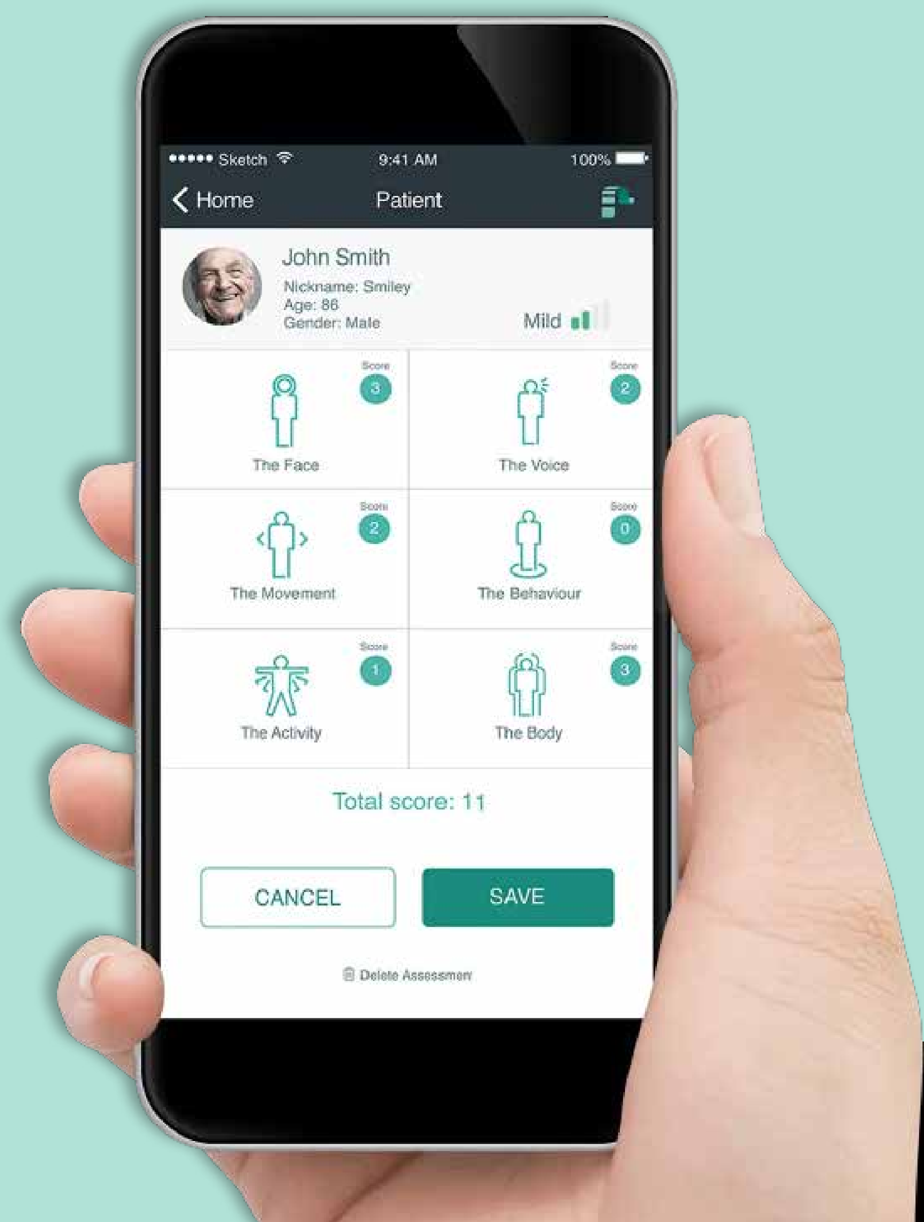
Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
Sydney, NSW 2000

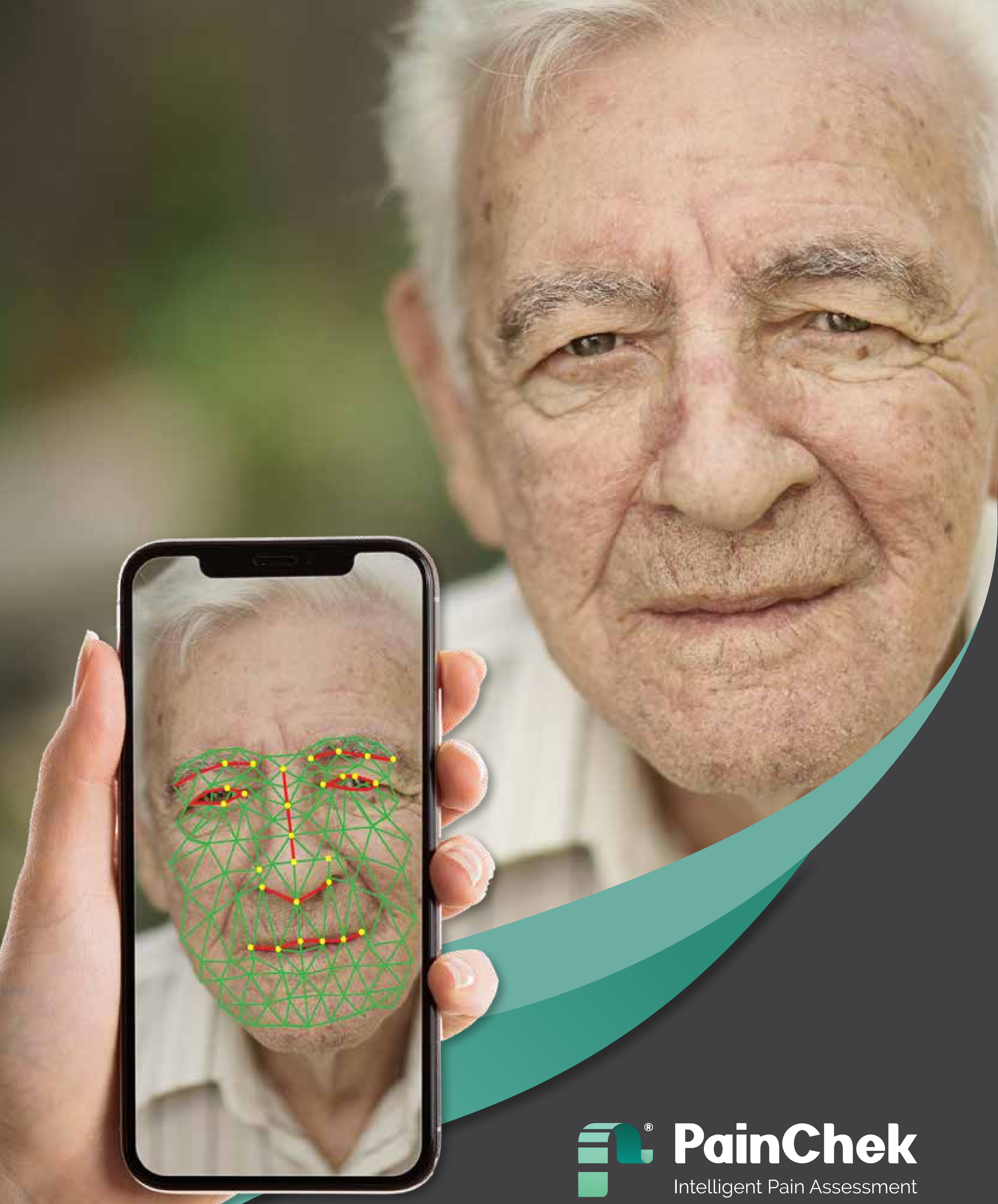
Tel: +61 2 9290 9600
Fax: +61 2 9290 9655

Stock Exchange

Australian Securities Exchange
20 Bridge Street
Sydney, NSW 2000

ASX Code
PCK





PainChek®

Intelligent Pain Assessment

PainChek Limited (ASX: PCK)
ABN 21 146 035 1272

Suite 401, 35 Lime Street,
Sydney, NSW, 2000

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Suite 401, 35 Lime Street,
Sydney, NSW, 2000

info@painchek.com