

# ANNUAL REPORT

YEAR ENDING JUNE

# 2023



**IMPROVING CLINICAL  
OUTCOMES AROUND  
THE WORLD AND  
ACROSS AUSTRALIA**



# 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
Ms Cynthia Payne	Non-Executive Director

## COMPANY SECRETARY

Ms Lisa Dadswell

## 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](http://www.painchek.com)

## AUDITOR

BDO Audit Pty Ltd

## SHARE REGISTRY

Boardroom Pty Ltd  
Grosvenor Place  
Level 8, 210 Bridge Street  
Sydney, NSW 2000

Tel: +61 2 9290 9600

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## STOCK EXCHANGE

Australian Securities Exchange  
20 Bridge Street  
Sydney, NSW 2000

## ASX CODE

PCK



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## CHAIRMAN'S LETTER

Dear Fellow Shareholders,

It is with pleasure that I present the 2023 Annual Report for PainChek Limited (ASX:PCK) and the financial results for the Company.

This past 12 months have been transformative for the Company. There are now more than 1,000 aged care facilities and 70,000 aged care beds across three continents that have contracted annual licences for the PainChek technology. With more than 3,000,000 pain assessments conducted as of June 30th 2023, the Company is delivering on its goal to provide best practice pain management applications for all people everywhere.

The utility of our adult App is supported by the clinical outcomes reported by Orchard Care and the Scottish Care Inspectorate in the UK, who have reported that use of PainChek has resulted in more appropriate use of pain medication as well as a reduction in safeguarding reported incidents and a reduction in falls.

Following successful pilots, we now have our first Canadian commercial customers who have contracted for 3 years to use PainChek and we are now looking to expand that base in North America.

We continue to progress with our FDA deNovo application having commenced recruiting patients for the small cohort clinical trial in USA and targeting FDA submission in Q4 Calendar 2023, followed by USA regulatory market clearance in 2024.

The Company has signed partnerships in the USA with PointClickCare, InterSystems and Ethos Labs to provide the required capability to access 1,000,000 aged care beds across North America, establishing the basis for rapid sales growth and achieving long term profitability.

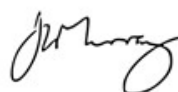
PainChek adult App integrates and works with aged care management and medication management systems covering more than 1,500,000 aged care beds across ANZ, UK and North America. The growing customer base in the UK, the expected FDA submission for USA and new market opportunities in Europe reaffirms Aged Care as a large global market opportunity.

In terms of new markets, PainChek has developed a hospital version of PainChek® incorporating clinical workflows and full integration with the Intersystems TrakCare EMR, with a UK hospital now scheduled to commence a hospital wide PainChek pilot programme as an initial hospital market entry point.

PainChek Infant App market testing has been conducted with parent groups and we are now scheduling an initial “direct to parent” market introduction in Australia. In addition, a new AI vocalisation feature has been developed using voice monitoring to determine a cry of pain or no pain. PainChek Infant is making infant pain visible and audible and will be the world’s first AI enabled pain assessment tool for infants.

I thank our hardworking team who continue to progress the Company strategies and business growth through their efforts.

I would also like to thank our shareholders who participated in the recent \$3.5 million Share Placement, this funding will allow us to progress our plans for FY24.



**John Murray**  
Chairman  
30 September 2023

ChairmanPainChek Limited (ASX: PCK)  
ABN 21 146 035 127  
Suite 401, 35 Lime Street,  
Sydney, NSW, 2000

Registered Office:  
Suite 401, 35 Lime Street,  
Sydney, NSW, 2000  
info@painchek.com



## DIRECTORS' REPORT

The directors of PainChek Limited ("PainChek" or "the Company") submit herewith the financial report of the Company and its controlled entities ("Group" or "Consolidated Entity") for the year ended 30 June 2023. 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 based 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 the Agency Group Australia Ltd and was a director of Ensurance Limited until 2nd July 2021. Otherwise, Mr Davey has not been a director of an ASX listed company in the past 3 years.

**Ms Cynthia Payne (appointed 30 March 2022) – Non Executive Director**

Ms Payne brings 30 years executive leadership experience as well as significant board and operational experience in residential and home aged care services in Australia. That experience includes over 16 years as CEO for a large private aged care Provider in NSW and before that head of operation manager for a large Not for Profit with home care, residential and retirement living portfolios. She is the founder and Managing Director of Anchor Excellence, a leading consultancy firm in the aged care services industry in Australia that advises boards and management on operational and compliance best practices.

Cynthia is a board advisor to Total Constructions Pty Ltd, a former Director of the Heart Foundation and past Chair of Business Excellence Australia. Cynthia holds a Bachelor of Applied Science (Nursing) with specific interest in Dementia Care, an MBA from the University of New England, is a Member of the Australian Institute of Company Directors, Fellow of the Governance Institute Australia and Certified Chair with The Board Advisory centre.

## Company Secretary

Ms. Dadswell was appointed on 21 December 2022, she is an experienced Company Secretary and corporate governance professional. She is an Associate of the Governance Institute of Australia and has an Honours Degree in Law.

## OPERATIONS REPORT

### Financial and operational review

The loss of the Group for the year ended 30 June 2023, after accounting for income tax benefit, amounted to \$7,574,728 (2022 \$5,720,534). The year ended 30 June 2023 operating results are attributed to the following:

- Research expense of \$3,817,360 (30 June 2022: \$2,460,566), increased expenses reflect the investment in upgrading the core technology and research preparing for FDA submission;
- Share based payments in respect of options issued to Directors and employees of \$766,093 (non-cash) (30 June 2022: \$549,191 (non-cash)); and
- Corporate and administration expenses of \$3,033,062 (30 June 2022: \$2,665,365) increased following investment in the regulatory and information security management systems.

## Operating Cashflow and Funding

The Group recorded receipts from customers of \$2,251,294, a 74% increase over prior year reflecting the strong customer revenue growth. The Group continues to invest in R&D and during the year receipts from R&D grant were \$1,048,588 (2022: 1,092,671).

The Group raised proceeds from the issue of shares at the start of the year, raising \$2,695,910 after share issue costs (2022: \$1,745,200). On 29 July 2022 the Group announced the completion of an Entitlement Offer, this followed the completion of a Placement of shares on 1 July 2022 to sophisticated and professional investors.

### Review of Operations

The 2023 financial year has seen PainChek increase customer revenue from its Adult App by 99% with a strong market share in Australia and rapid expansion in the UK. There are more than 1,000 residential aged care facilities across three continents that have PainChek annual commercial licence agreements. These clients are based in Australia, New Zealand, United Kingdom, Ireland and Canada. The combination of the PainChek Adult App with our integration partnerships and data analytics have shown to support improved patient clinical outcomes within aged care. These outcomes have been a growth driver for PainChek as the Company continues its strategy to become the global market leader in pain assessment technology through its existing Adult and Infant pain assessment products.

### PAINCHEK AROUND THE WORLD... AND ACROSS AUSTRALIA 1000+ AGED CARE FACILITIES ACROSS 3 CONTINENTS

#### Canada

- Initial RAC sales now in place and implemented
- Exploring additional Aged Care and Home Care partners for North America

#### Europe (EU)

- Targeting RAC beds and home care dementia patients in EU
- Exploring International partnerships

#### US / FDA \*

- Adult FDA de Novo regulatory clearance submission in progress – target Q4 2023
- Point Click Care integration partnership providing access to 10,000+ long term homes and 1,000,000+ beds
- Ethos Labs sales distribution agreement targeting US long term care sector

#### UK

- ~ 20, 000 contracted RAC beds across 300 RAC facilities
- 10+ integration partners providing access to ~285,000 beds

#### Japan

- Japanese patent granted
- Currently working with PDMA for regulatory clearance

#### Australia-NZ (ANZ)

- ~ 50, 000 contracted RAC beds across 700 RAC facilities
- 15+ integration partners providing access to 180,000 beds







The PainChek® technology uses cameras in smartphones and tablets to conduct a facial scan 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 conducted by the carer to provide an overall pain score and pain severity level of the person being assessed.

The PainChek® technology has regulatory clearance in TGA (Australia), CE Mark (Europe) UK, New Zealand, Singapore and Canada as a class 1 medical device to assess pain in people who are unable to reliably verbalise, such as people living with dementia and pre-verbal infants.

PainChek® Universal, which has the same regulatory market clearances 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. This means that PainChek is now a tool to assess and document pain for all people within aged care, hospital, and the home care environment.

PainChek® Analytics provides actionable insights from the PainChek® pain assessment data which helps reduce clinical risk, ensure pain is identified early and enable clients to focus on providing care. Detailed analytics and reports have been developed with insights from ~3.0 million assessments conducted with the PainChek® app.

The achievements in the 2023 financial year have set a scalable base for continued expansion of PainChek around the world and across Australia from:

-  Established significant market share in Australia and New Zealand Aged Care
-  Continuing expansion in UK aged care
-  First customers in Canadian aged care
-  Established clinical trials for FDA clearance and market entry for USA
-  Continuing development of Partnerships giving access to growth
-  Infant app development and consumer market research; and
-  Preparation for new markets – including the hospital and home care markets.

In Australia and New Zealand Residential Aged Care, PainChek has partnership agreements giving access to a potential market of 220,000 aged care beds and clients contracts have now been signed with 25% of that addressable market.



*“This smart system (PainChek) is far faster and more accurate than the traditional pain assessment tools, it helps vulnerable residents and frees up our staff to do more for our residents by automating many of our processes.”*

**– from Summerset Retirement Villages  
2022 Annual Report**

In the UK outstanding outcomes from regular pain monitoring is driving rapid new client growth and PainChek has expanded its operations in the UK with 150% annual growth in the contracted beds signed with clients in Residential Aged Care. Partnerships in the UK give access to a potential market with 440,000 residential aged care beds, more than double that of Australia.

*“As a direct result of introducing PainChek...pain is now being identified and treated effectively”*

**- Director of Quality and Care at  
Orchard Care Homes, UK.**

In Canada, the first customers have given positive feedback following training and implementation in May 2023. There are ongoing negotiations for further commercial contracts.

US FDA (Food and Drug Administration) - PainChek has signed an agreement for a clinical psychometric study of its PainChek® Adult software in the United States, which is scheduled to commence in September 2023 and it is the last step in completing the FDA requirements. The study will form the basis for PainChek®’s application to the US Food and Drug Administration (FDA) for De Novo regulatory clearance, which it expects to submit to the FDA in Q4 CY23.

Based on a successful clinical study and standard FDA response times to De Novo submissions, regulatory clearance could occur for US market entry in Q1 or Q2 CY24.

The agreement for the study, to be conducted with Oaknoll Christian Retirement Services, will include recruitment at clinical sites in the states of Iowa, Illinois, and Missouri. The Clinical Research Organisation Donawa Lifesciences will oversee the project, conduct the data evaluation, and write the clinical report for submission to the FDA.

North America is the world’s largest Aged Care market with 2,000,000 resident beds. PainChek already has regulatory clearance in Canada and will enter the US when FDA clearance is received. In the US market PainChek has already signed a partnership agreement with Point Click Care Inc., which provides care management software to over 10,000 nursing homes and 1,000,000 resident beds in the US and Canada, a sales and marketing distribution agreement with Ethos Labs for the US residential aged care market and a global partnership with InterSystems for the hospital market.

PainChek now has more than twenty integration partnership agreements with care management and medication management system providers giving PainChek access to more than 1,500,000 aged care beds across ANZ, UK and North America. These integration partnerships support better care delivery, eliminate duplication of effort and optimise medication management.



**INITIAL OUTCOME (YEAR 1)**

- 100% increase in frequency of pain assessments
- 50% increase in number of residents on regular pain relief as a result of newly identified pain
- 50% reduction in distressed behaviours thought to be associated with pain
- 92% reduction in quantity of Safeguarding reported incidents

**OUTCOMES (2 YEARS ON)**

- 10% reduction of antipsychotic drug use (46% stopped use)
- 29% reduction in use of Benzodiazepines & PRN (46% stopped use)
- 44% reduction in medication incidents driven by polypharmacy reduction
- 18% reduction in falls due to promptly identifying pain

During FY23 PainChek concluded a partnership agreement with InterSystems and developed the PainChek App for use in hospitals. Following a successful demonstration, technical implementation work is now underway for a PainChek® pilot at large UK based hospital network. The integration of PainChek with InterSystems TrakCare EMR (Electronic Medical Record) platform provides a novel point of care hospital pain assessment and pain management solution. Over 400 million patient records are managed by TrakCare providing PainChek access to hospital customers in US, UK, Europe, the America's and Asia.

During the year, PainChek conducted the first stage qualitative market research with first time parents of children below 1 years of age in Australia for the PainChek Infant App. The feedback was very positive in terms of product need and potential take up of the PainChek Infant technology for this parental group and pricing and distribution strategy within Australia was also tested. A second round of quantitative market testing is to be conducted in Q1 FY24 with this same client group to finalise the product offering, educational elements and marketing mix. PainChek is scheduling a first stage targeted direct to consumer market entry in Australia during Q2 FY24.

PainChek has also successfully completed the initial R&D on an AI based vocalization technology that can discriminate between an infant's cry of pain or no pain. This vocalisation feature will be a future addition to the current PainChek infant "face only" App and could also be commercialized as a stand-alone technology to integrate with other products such as baby monitors.

### Likely Developments and Overview of Group Strategy

The Company's upcoming catalysts and strategy are focussed on the following areas:

- Continued acceleration of sales and ARR growth within RAC sector in ANZ, UK, Canada and new EU opportunities
- Complete FDA studies to lodge for US FDA De Novo clearance in Q4 2023
- Leverage existing US partnerships including Point Click Care, InterSystems and Ethos Labs to prepare for US market entry in 2024
- Build on existing Home Care and Disability markets
- Enter global hospital market sector with InterSystems partnership
- Commence "direct to parent" sales and marketing for Infant App

The Company will also be completing a technology upgrade in 2023 and applying for ISO 27001 certification following implementation of Information Management Systems and processes.

### Business Risks

Risk assessments across the Company's business are conducted on a regular basis by the management team and reported through to the Board.

**SCOTTISH CARE INSPECTORATE PAINCHEK - 1ST PHASE OUTCOMES**

"We welcome the use of innovation and technology to help support people to experience the best possible care."

"This device should enable more appropriate use of medication and improved quality of life for care home residents. "

"In future the device may also be able to support detection of pain in young children who are unable to adequately communicate pain."


Spokesperson for the Scottish Care Inspectorate



Reduction in falls by 75% in 3 months (42% over 6 months)



Reduced stress and distress from rate of 12 incidents to 4 in 6 months



More appropriate use of pain medication and a reduction in the prescribed rate of pain medication

PAINCHEK LIMITED | 11

## PAINCHEK IS TARGETING FDA DE NOVO CLEARANCE AND US LAUNCH IN 2024

### NORTH AMERICAN AGED CARE MARKET OPPORTUNITY

USA – 15,000 nursing homes with  
**1,700,000 beds<sup>1</sup>**

Canada – 2,000 care homes with  
**200,000 beds<sup>2</sup>**

US National Committee for Quality Assurance driving change to move to “multidimensional” pain assessment tools for elderly with chronic pain<sup>3</sup>

<sup>1</sup> <https://www.cdc.gov/nchs/fastats/nursing-home-care.htm>

<sup>2</sup> <https://www.cihi.ca/en/how-many-long-term-care-beds-are-there-in-canada>

<sup>3</sup> <https://www.ncqa.org/wp-content/uploads/2023/02/05-COA.pdf>



**PointClickCare:** is the leading care management software system provider to nursing homes in USA & Canada - 1,000,000+ beds



**Ethos Labs:** PainChek sales distribution agreement with Ethos Labs to rapidly penetrate US long term care market



**InterSystems:** Global agreement to provide global hospital interoperability and EMR capability – initial focus in Europe and Asia Pacific

### Successful commercialisation of Adult App in international markets

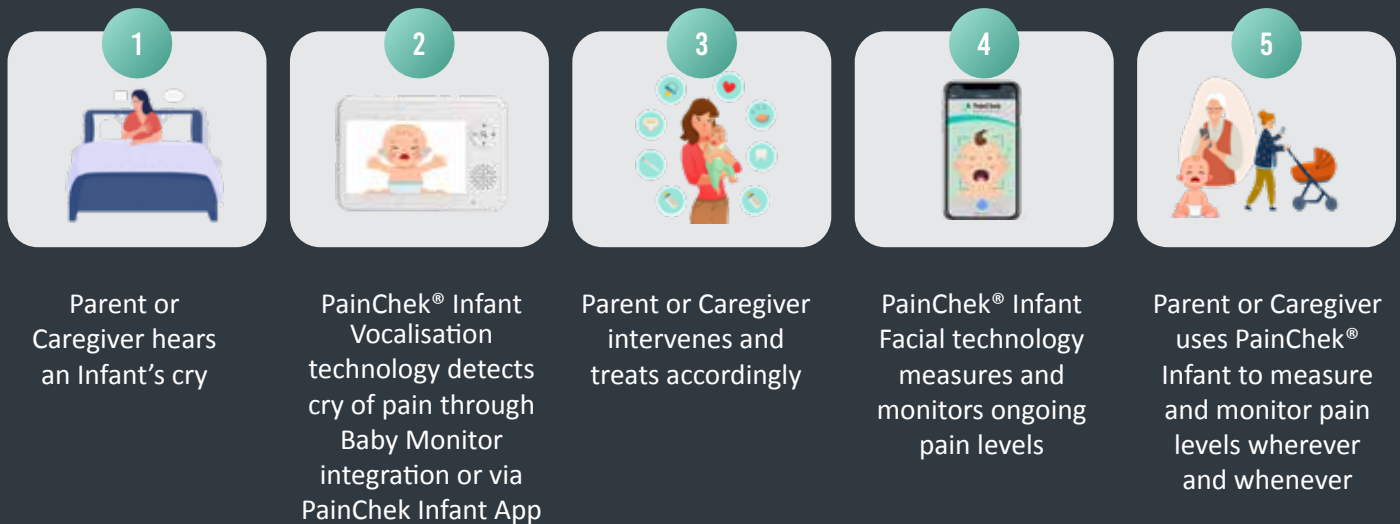
The Company has commenced selling its Adult App in Australia and certain international markets, being the United Kingdom, New Zealand and Canada. Expansion of the Company’s products to international markets is still in early stages and there is no certainty of comparable success in these jurisdictions to that of Australia. Such success will depend on market acceptance and adoption of the Company’s products.

Market acceptance of the Company’s products will depend on many factors, including positive clinical trial results (where additional clinical trials are required) and the Company’s ability to develop and market products that are recognised and accepted as reliable, efficacious and cost effective. Clinical evidence may be based on trials conducted by third parties, and as such, the Company will be partially reliant on the accuracy and efficiency of the trials and reports produced by those third parties. There is no guarantee that adoption of the Company’s existing products and new products will be substantial or sufficient to meet the Company’s sales objectives. If sufficient market acceptance in international markets is not achieved, the growth of the Company’s revenue may slow or decline which will have an adverse impact on the Company’s operating and financial performance. To assist with the continued commercialisation of the Adult App in aged care, the Company recently completed a placement of shares to raise funds, see Subsequent Event for more details.

### Successful commercialisation of Infant App in international markets

The Company has not commenced selling the Infant App, and its success will depend on market acceptance and adoption of the product. The Company has received regulatory approval in European Union, United Kingdom and Australia. In the USA the Infant App is available for use as a Clinical Decision Support device initially for use by Healthcare Professionals. Market acceptance of the Company’s products will depend on many factors, including positive clinical trial results (where additional clinical trials are required) and the Company’s ability to develop and market products that are recognised and accepted as reliable, efficacious and cost effective. Clinical evidence may be based on trials conducted by third parties, and as such, the Company will be partially reliant on the accuracy and efficiency of the trials and reports produced by those third parties. There is no guarantee that adoption of the Company’s existing products and new products will be substantial or sufficient to meet the Company’s sales objectives. If sufficient market acceptance in international markets is not achieved, the growth of the Company’s revenue may slow or decline which will have an adverse impact on the Company’s operating and financial performance.

## PAINCHEK® INFANT MAKING INFANT PAIN VISIBLE AND AUDIBLE



### Regulatory clearances

The distribution of the Company's products is subject to obtaining or maintaining regulatory clearances issued by appropriate governmental authorities and regulatory bodies. Regulatory clearances are also required to enter new markets such as the United States. These processes typically involve new clinical trials and may take extended periods of time and incur unplanned costs, with no certainty of success.

Any delay in the receipt of regulatory approvals may result in a delay to the intended launch date of certain products, which will delay revenue and adversely affect the Company's financial performance. If the Company is unable to obtain any of these required regulatory clearances the Company's ability to achieve its growth objectives by expansion of its product offerings or geographic expansion of sales may be materially impaired.

### Cyber security and privacy risks

The technological infrastructure that the Company has in place may be subjected to external cyber attacks or security breaches, which could cause the Company to lose control of its core systems or lose data, which could include personal information in some cases, despite the privacy controls that the Company has in place. If an attack or breach of this kind does occur, this could result in a breach of law by the Company or the breach of its contractual obligations, which may have a material adverse effect on the Company's business and its reputation.

Information Security Management System protections are in place to protect data and reduce risk of security breaches and the Company is taking steps to gain ISO27001 certification.

### Intellectual property protection

The value of the Company's products is dependent on the Company's ability to protect its intellectual property, including by trademarks, copyright, patent and moral rights. Any failure to adequately protect its intellectual property rights could have an adverse impact on the Company's operating and financial performance. The Company is in the process of developing and protecting its intellectual property, and currently has granted patents in the United States, Japan and China.

The Company is awaiting patent protection in Europe. There is a risk that pending patent applications will not be granted. The Company's intellectual property rights are dependent on legal protections. However, these protections do not guarantee that the Company will have commercially significant protection of its intellectual property or that its competitive position will be maintained. Further, actions that the Company takes to protect its intellectual property may not be adequate or enforceable. The prosecution of intellectual property rights claims are costly and time consuming and their outcome is uncertain. Failure by the Company to protect its intellectual property rights could have an adverse impact on the Company's operating and financial performance.



### Dependence on technology suppliers

The Company's business relies on its ability to attract and retain in-house or third party technology suppliers. The Company has contractual agreements in place with third parties such as Darwin Digital for support and development of its applications and has commenced development of its own proprietary technology to alleviate future supplier risks. Any inability or failure of suppliers to supply the Company with relevant products or services may adversely affect the Company's operating and financial performance. Given the evolution of technology and future capabilities that may be required, the Company plans to further develop in-house technology and additional suppliers.

### Dependence on key personnel

The Company currently has a small team of employees and contractors and depends on key people for its success. There is no certainty that key people can be retained or additional resources recruited to execute the Company's business plans. There is a risk that the departure of such personnel, or any delay in their replacement, could have a significant negative impact on management's ability to operate the business and achieve financial performance targets. The Company undertakes regular remuneration reviews of key staff and staff development.

### Funding

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following conditions:

- the successful commercialisation of its intellectual property in a manner that generates sufficient

operating cash inflows; and

- the ability of the consolidated entity to raise sufficient capital as and when necessary. The Company has a history of raising capital and there has been significant progress made on exploiting its intellectual property, control over discretionary expenditure projects and conversion of customers onto commercial terms. In September 2023 the Company successfully completed a placement of shares, raising \$3,550,000, to be paid in two tranches.

### Subsequent events

On 14 September the Group announced the completion of a Placement of shares to sophisticated and professional investors. The Group raised \$3,550,000 before costs with settlement to be in two tranches:

- Tranche one (1) raising A\$2.83 million comprising 105.0m New Shares, settlement on 19 September 2023.
- Tranche two (2) to raise an additional A\$0.72 million comprising 26.5m New Shares, settlement on or about 28 November 2023, post the Company's Annual General Meeting. Directors of PainChek made commitments to subscribe for circa \$216,000 in the Placement, which are subject to shareholder approval at the upcoming AGM.

# REMUNERATION REPORT (AUDITED)

## Key Management Personnel

The report discloses the FY23 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 2023. 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 Directors 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.

## 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.

	2019	2020	2021	2022	2023
Share price at 30 June	\$0.20	\$0.115	\$0.059	\$0.028	\$0.025
Loss for the year	(\$3,262,418)	(\$12,392,659)	(\$6,063,647)	(\$5,720,534)	(7,275,728)
EPS for the year	(0.4) cents	(1.3) cents	(0.5) cents	(0.5) cents	(0.6) 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

During the financial year a short term incentive performance bonus of \$36,000 was paid to Mr Daffas for the year ended 30 June 2022, representing 24% of KPI targets achieved. The KPIs part achieved were UK business development, initial sales into new product markets, capital raising and retention of key staff. KPIs not achieved were targets set for recognised revenue and contracted ARR.

The non-executive directors' remuneration will continue to be supplemented with the following annual grant of Performance Rights for the financial years ended 30 June 2023, 2024 and 2025 as follows:

Directors	Fee	Performance Rights	Total remuneration
John Murray	\$ 80,000	\$ 40,000	\$ 120,000
Adam Davey	\$ 40,000	\$ 20,000	\$ 60,000
Ross Harricks	\$ 40,000	\$ 20,000	\$ 60,000
Cynthia Payne	\$ 40,000	\$ 20,000	\$ 60,000
Total	\$ 200,000	\$ 100,000	\$ 300,000

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*.

At the 2022 Annual general meeting, shareholders approved the issue of Performance Rights to the non-executive directors on the following principles and terms:

- each non-executive director will in each end of financial year on 30 June 2023, 2024 and 2025 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 convert to shares	Expiry Date of Performance Rights if not converted to shares
2023	7/09/2022	23/11/2022	30/06/2023	29/09/2023	30/09/2023
2024	7/09/2023	23/11/2022	30/06/2024	06/09/2024	30/09/2024
2025	6/09/2024	23/11/2022	30/06/2025	05/09/2025	30/09/2025

### CEO remuneration review

The Company's CEO remuneration is supplemented with an annual grant of \$250,000 worth of Performance Rights for the financial years ended 30 June 2023, 2024 and 2025.

The Company entered into an agreement on 8<sup>th</sup> 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 \$250,000 grant of Performance Rights, will result in total statutory remuneration of \$650,000 for FY23. 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 Company received Shareholder approval at the 2022 AGM for the issue of Performance Rights to Philip Daffas to the value of \$750,000 over the 3 years ending 30 June 2025, with an annual limit of \$250,000 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**).

The vesting conditions are summarised:

- a) The Performance Rights awarded for a year will vest over 3 years in equal annual amounts commencing one year after the 1 October of the year of award (these represent tranches 4 to 6 of all Performance Rights issued to Philip Daffas) subject to:
  - i. The Company's Share price achieving a target Share price for each tranche of an award that is vesting (Award Target Price);
  - ii. Philip Daffas remains employed by the Company at the vesting 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
  - iii. Accelerated vesting of all Performance Rights which have been awarded in the event of a change of control transaction provided that Award Target Prices have been met (with the compounded return calculated up until the date of change of control).

- b) The Award Target Price for the FY23 award is twice the Award Issue Price for the first annual tranche and thereafter a compounded annual increase in Award Target Price of 20% p.a. for the second and third tranche
- c) The Award Target Price for the FY24 and FY25 Awards is a compounded annual increase in Share price of 20% p.a. from the relevant Award Issue Price

### 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 FY2023, FY2024 and FY2025 for an award of the number of performance rights equivalent to \$250,000 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 financial year of the Award, with vesting conditional on terms described above.

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

#### 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 \$252,284 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 6 million (1 million granted in FY23 and 5 million granted in FY22) 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
<b>Executives</b>		
Philip Daffas	Managing Director	From 30 September 2016
Iain McAdam	Chief Financial Officer	From 22 March 2021

<b>Non-Executive Directors</b>		
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
Cynthia Payne	Non-Executive Director	From 30 March 2022

Except as detailed in Notes (b) – (e) 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 2023 is as follows:

2023	Short Term Employee Benefits		Equity Compensation		Post-employment	Performance related %	
	Base Salary and Fees	Cash Bonus	Value of Options	Performance Rights	Superannuation Contributions		Total
	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
John Murray	80,000	-	-	63,895	-	143,895	44%
Philip Daffas	226,244	36,000	-	145,493	23,756	431,493	42%
Ross Harricks	40,000	-	-	31,947	-	71,947	44%
Adam Davey	40,000	-	-	31,947	-	71,947	44%
Cynthia Payne	40,000	-	-	31,947	-	71,947	44%
<b>Total Directors</b>	<b>426,244</b>	<b>36,000</b>	<b>-</b>	<b>305,229</b>	<b>23,756</b>	<b>791,229</b>	<b>43%</b>
Iain McAdam	228,311	25,228	63,502	-	23,973	341,014	26%
<b>Total</b>	<b>654,555</b>	<b>61,228</b>	<b>63,502</b>	<b>305,229</b>	<b>47,729</b>	<b>1,132,243</b>	<b>38%</b>
2022	Short Term Employee Benefits		Equity Compensation		Post-employment	Performance related %	
	Base Salary and Fees	Cash Bonus	Value of Options	Performance Rights	Superannuation Contributions		Total
	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
John Murray	80,000	-	-	14,995	-	94,995	16%
Philip Daffas	227,273	52,500	-	108,083	22,727	410,583	39%
Ross Harricks	40,000	-	-	7,498	-	47,498	16%
Adam Davey	40,000	-	-	7,498	-	47,498	16%
Cynthia Payne	20,000	-	-	-	-	20,000	0%
<b>Total Directors</b>	<b>407,273</b>	<b>52,500</b>	<b>-</b>	<b>138,074</b>	<b>22,727</b>	<b>620,574</b>	<b>22%</b>
Iain McAdam	228,311	4,281	137,742	-	22,831	393,165	35%
<b>Total</b>	<b>635,584</b>	<b>56,781</b>	<b>137,742</b>	<b>138,074</b>	<b>45,558</b>	<b>1,013,739</b>	<b>27%</b>

### c) Shares Held by Key Management Personnel

2023	Balance at 1 July 2022	Performance Rights Converted	Bought & (Sold)	Shares issued in lieu of cash	Other	Balance at 30 June 2023
<b>Directors</b>						
John Murray	12,899,193	792,079	644,959			14,336,231
Philip Daffas	20,499,581	-	1,024,979			21,524,560
Ross Harricks	6,449,597	396,040	322,480			7,168,117
Adam Davey	9,990,361	396,040	499,519			10,175,170
Cynthia Payne	-	-				
	<b>49,838,732</b>	<b>1,584,159</b>	<b>2,491,937</b>			<b>53,914,828</b>
<b>Other key management personnel</b>						
Iain McAdam	12,961	-	35,714			48,675
	<b>49,851,693</b>	<b>1,584,159</b>	<b>2,527,651</b>			<b>53,963,503</b>
2022	Balance at 1 July 2021	Performance Rights Converted	Bought & (Sold)	Shares issued in lieu of cash	Other	Balance at 30 June 2022
<b>Directors</b>						
John Murray	12,486,402	412,791	-	-	-	12,899,193
Philip Daffas	20,499,581	-	-	-	-	20,499,581
Ross Harricks	6,243,201	206,396	-	-	-	6,449,597
Adam Davey	9,783,965	206,396	-	-	-	9,990,361
Cynthia Payne	-	-	-	-	-	-
	<b>49,013,149</b>	<b>825,583</b>	-	-	-	<b>49,838,732</b>
<b>Other key management personnel</b>						
Iain McAdam	12,961	-	-	-	-	12,961
	<b>49,026,110</b>	<b>825,583</b>	-	-	-	<b>49,851,693</b>

#### d) Options Held by Key Management Personnel – Iain McAdam

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Options	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance obligation	Vested
24-Mar-21	5,000,000	24-Mar-25	24-Sep-25	\$0.08	\$0.08	Continued employment	56.3%
1-Sep-22	1,000,000	1-Sep-26	1-Mar-27	\$0.03	\$0.03	Continued employment	0.0%

The number of options over ordinary shares in the company provided as remuneration to key management personnel is shown below. The options carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of Painchek Limited.

2023	Balance at 1 July 2022	Received as Remuneration	Exercise of Options	Other	Balance at 30 June 2023	Vested and exercisable	Unvested
<b>Other key management personnel</b>							
Iain McAdam							
24 March 2021	5,000,000	-	-	-	5,000,000	2,812,500	2,187,500
1 September 2022	-	1,000,000	-	-	1,000,000	-	1,000,000
	<b>5,000,000</b>	<b>1,000,000</b>	-	-	<b>6,000,000</b>	<b>2,812,500</b>	<b>3,187,500</b>
2022	Balance at 1 July 2021	Received as Remuneration	Exercise of Options	Other	Balance at 30 June 2022	Vested and exercisable	Unvested
<b>Other key management personnel</b>							
Iain McAdam							
24 March 2021	5,000,000	-	-	-	5,000,000	1,562,500	3,437,500
	<b>5,000,000</b>	-	-	-	<b>5,000,000</b>	<b>1,562,500</b>	<b>3,437,500</b>

There was no exercise of options in the period.

## e) Performance Rights Held by Key Management Personnel

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.

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.

Grant date	Vesting date	Grant date fair value
23/11/2022 – Tranche 4	30/09/2023	\$0.03
23/11/2022 – Tranche 5	30/09/2024	\$0.03
23/11/2022 – Tranche 6	30/09/2025	\$0.03

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.

Grant date	Vesting date	Grant date fair value	Award Target Price at Vesting Date	Expiry date
20/11/2019 -Tranche 2B	01/10/23	\$0.1773	\$0.1474	01/01/2024
20/11/2019 -Tranche 3A	01/10/23	\$0.1763	\$.0668	01/01/2024
20/11/2019 -Tranche 3B	01/10/22	\$0.1536	\$.0768	01/01/2025
23/11/2022 -Tranche 4A	01/10/23	\$0.0085	\$.0592	01/01/2024
23/11/2022 -Tranche 4B	01/10/24	\$0.0121	\$.0710	01/01/2025
23/11/2022 -Tranche 4C	01/10/25	\$0.0142	\$0.0852	01/01/2026
23/11/2022 -Tranche 5A	01/10/24	\$0.0171		01/01/2025
23/11/2022 -Tranche 5B	01/10/25	\$0.0183		01/01/2026
23/11/2022 -Tranche 5C	01/10/26	\$0.0197		01/01/2027
23/11/2022 -Tranche 6A	01/10/25	\$0.0149		01/01/2026
23/11/2022 -Tranche 6B	01/10/26	\$0.0156		01/01/2027
23/11/2022 -Tranche 6C	01/10/27	\$0.0165		01/01/2028

The number of performance rights provided and granted as remuneration to key management personnel is shown below.

2023	Balance at 1 July 2022	Granted during year	Conversion to shares	Expired	Balance at 30 June 2023	Vested and Exercisable	Maximum value yet to vest \$
<b>Directors</b>							
<b>Philip Daffas</b>							
Tranche 1B	466,635			(466,635)	-		-
Tranche 2A	1,031,979			(1,031,979)	-		-
Tranche 2B	1,031,978				1,031,978	-	\$ 59,422
Tranche 3A	1,980,198				1,980,198	-	\$ 60,301
Tranche 3B	1,980,198				1,980,198	-	\$ 56,014
Tranche 4A	-	2,815,315			2,815,315	-	\$ 23,675
Tranche 4B	-	2,815,315			2,815,315	-	\$ 33,689
Tranche 4C	-	2,815,315			2,815,315	-	\$ 39,498
Tranche 5A	-	^					\$ 46,217
Tranche 5B	-	^					\$ 49,524
Tranche 5C	-	^					\$ 53,254
Tranche 6A	-	^					\$ 39,567
Tranche 6B	-	^					\$ 41,342
Tranche 6C	-	^					\$ 43,621
<b>John Murray</b>							
Tranche 3	792,079		(792,079)				-
Tranche 4	-	1,351,351			1,351,351	1,351,351	-
Tranche 5	-	^					\$38,908
Tranche 6	-	^					\$37,664
<b>Ross Harricks</b>							
Tranche 3	396,040		(396,040)				-
Tranche 4	-	675,676			675,676	675,676	-
Tranche 5	-	^					\$19,454
Tranche 6	-	^					\$18,832
<b>Adam Davey</b>							
Tranche 3	396,040		(396,040)		-		-
Tranche 4	-	675,676			675,676	675,676	-
Tranche 5	-	^					\$19,454
Tranche 6	-	^					\$18,832
<b>Cynthia Payne</b>							
Tranche 4	-	675,676			675,676	675,676	-
Tranche 5	-	^					\$19,454
Tranche 6	-	^					\$18,832
	<b>8,075,147</b>	<b>11,824,324</b>	<b>(1,584,159)</b>	<b>(1,498,614)</b>	<b>13,438,319</b>	<b>3,378,379</b>	<b>\$737,554</b>

^ The performance rights issued for a year are 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).



2022	Balance at 1 July 2021	Granted during year	Conversion to shares	Expired	Balance at 30 June 2022	Vested and Exercisable	Maximum value yet to vest \$
<b>Directors</b>							
<b>Philip Daffas</b>							
Tranche 1A	466,635	-	-	(466,635)	-	-	-
Tranche 1B	466,635	-	-	-	466,635	-	\$ 92,779
Tranche 2A	1,031,979	-	-	-	1,031,979	-	\$ 58,904
Tranche 2B	1,031,978	-	-	-	1,031,978	-	\$ 59,422
Tranche 3A	-	1,980,198	-	-	1,980,198	-	\$ 60,301
Tranche 3B	-	1,980,198	-	-	1,980,198	-	\$ 56,014
<b>John Murray</b>							
Tranche 2	412,791	-	(412,791)	-	-	-	-
Tranche 3	-	792,079	-	-	792,079	-	-
<b>Ross Harricks</b>							
Tranche 2	206,396	-	(206,396)	-	-	-	-
Tranche 3	-	396,040	-	-	396,040	-	-
<b>Adam Davey</b>							
Tranche 2	206,396	-	(206,396)	-	-	-	-
Tranche 3	-	396,040	-	-	396,040	-	-
<b>Cynthia Payne</b>							
-	-	-	-	-	-	-	-
	<b>3,822,810</b>	<b>5,544,555</b>	<b>(825,583)</b>	<b>(466,635)</b>	<b>8,075,147</b>		<b>\$ 327,420</b>

#### f) Share, Performance Rights and Option Holdings

All shares bought and sold were based on the market share price on the date of transactions. Share based payments were granted in accordance with the terms and conditions agreed with the key management personnel.

#### 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:

Director	Directors Meetings	
	Meetings Attended	Number Eligible to Attend
John Murray	14	14
Philip Daffas	14	14
Ross Harricks	14	14
Adam Davey	14	14
Cynthia Payne	14	14

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

## 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	14,336,231	-	1,351,351
Adam Davey	10,885,920	-	675,676
Philip Daffas	21,524,560	-	13,438,319
Ross Harricks	7,168,117	-	675,676
Cynthia Payne	-	-	675,676
<b>Total</b>	<b>53,914,828</b>	-	<b>16,816,698</b>

## 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 did not employ the auditor on assignments additional to their statutory audit duties.

### AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'John Murray', written in a cursive style.

**John Murray**  
**Chairman**

28 September 2023, 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 2023, 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 period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 28 September 2023

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated	Consolidated
	Note	30 June 2023 \$	30 June 2022 \$
Revenue	3	1,955,864	994,148
Other income – R&D Grant & other rebates	4	1,058,399	1,102,500
Other income – Government Grant	5	122,520	750,796
Cost of sales		(1,237,004)	(1,237,392)
Research and development expenses		(3,817,360)	(2,460,566)
Marketing and business development expenses		(1,857,992)	(1,655,464)
Corporate administration expenses	6	(3,033,062)	(2,665,365)
Share based payment expenses	14	(766,093)	(549,191)
<b>Loss before income tax</b>		<b>(7,574,728)</b>	<b>(5,720,534)</b>
Income tax benefit	7		-
<b>Loss for the period attributable to Owners of PainChek Limited</b>		<b>(7,574,728)</b>	<b>(5,720,534)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(42,558)	5,177
<b>Other comprehensive income for the year, net of income tax</b>		<b>(42,558)</b>	<b>5,177</b>
<b>Total comprehensive income for the year</b>		<b>(7,617,286)</b>	<b>(5,715,357)</b>
<b>Loss and total comprehensive income attributable to: Owners of PainChek Limited</b>		<b>(7,617,286)</b>	<b>(5,715,357)</b>
<b>Loss per share:</b>			
Basic and diluted (cents per share)	8	(0.59)	(0.50)

Notes to the financial statements are included on pages 33 to 54.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		Consolidated	Consolidated
	Note	30 June 2023	30 June 2022
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	18	2,512,217	6,141,422
Trade and other receivables	9	260,112	484,709
<b>Total current assets</b>		<b>2,772,329</b>	<b>6,626,131</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	22,831	26,172
<b>Total non-current assets</b>		<b>22,831</b>	<b>26,172</b>
<b>Total assets</b>		<b>2,795,160</b>	<b>6,652,303</b>
<b>Current liabilities</b>			
Trade and other payables	11	1,874,154	1,641,548
Provisions	12	252,875	187,341
<b>Total current liabilities</b>		<b>2,127,029</b>	<b>1,828,889</b>
<b>Total liabilities</b>		<b>2,127,029</b>	<b>1,828,889</b>
<b>Net assets</b>		<b>668,131</b>	<b>4,823,414</b>
<b>Equity</b>			
Issued capital	13	35,180,097	32,484,187
Reserves	14	14,068,134	13,344,599
Accumulated losses		(48,580,100)	(41,005,372)
<b>Total equity</b>		<b>668,131</b>	<b>4,823,414</b>

Notes to the financial statements are included on pages 33 to 54.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

<b><i>Company</i></b>	<b>Note</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
<b><i>Consolidated</i></b>					
<b>Balance at 1 July 2021</b>		<b>30,738,987</b>	<b>12,790,231</b>	<b>(35,284,838)</b>	<b>8,244,380</b>
Loss for the year		-	-	(5,720,534)	(5,720,534)
Other comprehensive income		-	5,177	-	5,177
<b>Total comprehensive loss for the period</b>		-	5,177	(5,720,534)	(5,715,357)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of ordinary shares ( <i>refer to note 13</i> )		1,763,200	-	-	1,763,200
Share issue costs ( <i>refer to note 13</i> )		(198,000)	-	-	(198,000)
Issue of shares on exercise of options ( <i>Refer to note 13</i> )		180,000	-	-	180,000
Recognition of share based payments ( <i>refer to note 14</i> )		-	549,191	-	549,191
<b>Balance at 30 June 2022</b>		<b>32,484,187</b>	<b>13,344,599</b>	<b>(41,005,372)</b>	<b>4,823,414</b>
<b><i>Consolidated</i></b>					
<b>Balance at 1 July 2022</b>		<b>32,484,187</b>	<b>13,344,599</b>	<b>(41,005,372)</b>	<b>4,823,414</b>
Loss for the year		-	-	(7,574,728)	(7,574,728)
Other comprehensive income		-	(42,558)	-	(42,558)
<b>Total comprehensive loss for the period</b>		-	(42,558)	(7,574,728)	(7,617,286)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of ordinary shares ( <i>refer to note 13</i> )		2,822,500	-	-	2,822,500
Share issue costs ( <i>refer to note 13</i> )		(126,590)	-	-	(126,590)
Reversal of share based payments		-	(66,102)	-	(66,102)
Recognition of share based payments ( <i>refer to note 14</i> )		-	832,195	-	832,195
<b>Balance at 30 June 2023</b>		<b>35,180,097</b>	<b>14,068,134</b>	<b>(48,580,100)</b>	<b>668,131</b>

Notes to the financial statements are included on pages 33 to 54.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated	Consolidated
		Year ended	
Note		30 June 2023	30 June 2022
		\$	\$
<b>Cash flows from operating activities</b>			
	Receipts from customers	2,251,294	1,292,223
	Receipt from government grant	20,000	-
	Payments to suppliers and employees	(9,659,409)	(7,996,631)
	Payroll Tax liability paid	-	(1,400,414)
	Interest received	6,351	5,195
	R&D Grant and other rebates	1,059,047	1,102,127
18.1	<b>Net cash used in operating activities</b>	<b>(6,322,717)</b>	<b>(6,997,500)</b>
<b>Cash flows from investing activities</b>			
	Proceeds from sale of plant and equipment	1,200	-
	Payments for property, plant and equipment	(13,642)	(21,960)
	<b>Net cash used in investing activities</b>	<b>(12,442)</b>	<b>(21,960)</b>
<b>Cash flows from financing activities</b>			
13	Proceeds from issue of shares	2,822,500	1,943,200
13	Payment of share issue costs	(126,590)	(198,000)
	<b>Net cash (used in)/provided by financing activities</b>	<b>2,695,910</b>	<b>1,745,200</b>
	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(3,639,249)</b>	<b>5,274,260</b>
	Cash and cash equivalents at the beginning of the period	<b>6,141,422</b>	<b>11,419,512</b>
	Effect of FX on cash balances	<b>10,044</b>	<b>(3,830)</b>
18	<b>Cash and cash equivalents at the end of the period</b>	<b>2,512,217</b>	<b>6,141,422</b>

Notes to the financial statements are included on pages 33 to 54.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## 1. Significant accounting policies

### Basis of preparation

The consolidated financial statements comprises PainChek Limited (referred to as the “Company” or “Parent Entity”) and its controlled entities (together referred to as the “Consolidated Entity” or the “Group”) and is a listed public company, incorporated and domiciled in Australia. The Group 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 and Australian Accounting Standards and Interpretations.

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 28 September 2023.

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 2023 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 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 disclosed in the financial statements, the consolidated entity has net operating cash outflows for the year of \$6,322,717 (2022: \$6,997,500) and net current assets of \$645,300 (30 June 2022: \$4,797,242). The consolidated entity also generated a loss after tax of \$7,574,728 (2022: \$5,720,534).

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following conditions:

- the successful commercialisation of its intellectual property in a manner that generates sufficient operating cash inflows; and
- the ability of the consolidated entity to raise sufficient capital as and when necessary.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to its recent history of raising capital and the significant progress made on exploiting its intellectual property, control over discretionary expenditure projects and conversion of customers onto commercial terms. The directors also note that subsequent to year end the consolidated entity has successfully completed raised \$3,550,000 before costs (refer note 20).

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

### 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 entity, 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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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 reporting 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 reporting 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 reporting 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 with original maturities of three months or less 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 the Group. 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 corporate bonds 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.

#### **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. Customers are in general invoiced on a monthly basis and payment is received following invoice on normal commercial terms of 30 days from invoice date.

*ii) Training*

Revenue from the provision of training services is recognised typically at a point in time when the Group has provided training and has met the performance obligation. Customers are in general invoiced on a monthly basis and payment is received following invoice on normal commercial terms of 30 days from invoice date.

*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. Customers are in general invoiced on a monthly basis and payment is received following invoice on normal commercial terms of 30 days from invoice date.

*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 reporting 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 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.

## (l) 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.

## (m) 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 14;
- Recognition of Government Grant income when milestones are reasonably assured of being met as detailed in notes 4 , 5 and 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

### *Revenue from Contracts with Customers*

Software subscriptions – Recognised over time  
Training – Recognised at a point in time  
Interest income  
**Total Revenue**

Consolidated	Consolidated
2023	2022
\$	\$
1,929,826	970,397
19,687	8,170
6,351	15,581
<b>1,955,864</b>	<b>994,148</b>

## 4. R&D and other rebates

Government employment allowance  
COVID-19 government payments  
Research & Development Tax Incentive  
Total Other Income

Consolidated	Consolidated
2023	2022
\$	\$
9,811	-
-	9,809
1,048,588	1,092,691
<b>1,058,399</b>	<b>1,102,500</b>

### 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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
Government grant	122,520	750,796
<b>Total government grants</b>	<b>122,520</b>	<b>750,796</b>

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 \$Nil (FY22: \$Nil) pursuant to the terms of the funding contract of which \$102,520 (FY22: \$750,796) received in prior years has been recognised as income and at 30 June 2023 the balance of \$Nil (FY22: \$102,520) has been recognised as deferred income – see note 11.

During the year, the Group received \$20,000 (FY22:\$Nil) from the Australian Government for an Entrepreneurs' Programme Growth Grant, for expenditure incurred in the previous year.

## 6. Loss for the year

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
<b><i>Loss for the year has been arrived at after charging the following items of expenses:</i></b>		
<i>Corporate administration expenses</i>		
Salaries & oncosts	806,858	842,397
Superannuation	86,296	80,873
Board fees	200,000	180,000
Company secretary fees	88,943	77,330
Consultants fees	72,599	71,162
Travel	121,866	83,757
Legal and professional fees	98,159	127,099
Regulatory	169,446	105,927
Share registry fees	46,534	52,389
ASX	59,795	58,831
Audit & tax	177,926	186,057
IT & telecommunications	669,462	330,915
Other administration expenses	435,178	468,630
	<b>3,033,062</b>	<b>2,665,367</b>

## 7. Income taxes

### 7.1 Income tax recognised in profit or loss

Current tax expense/(income)
Over/(under) provision from prior year
Deferred tax expense/(income)
Tax losses not recognised
<b>Total Tax expense/(income)</b>

Consolidated	Consolidated
2023	2022
\$	\$
(1,744,499)	(1,399,246)
600,382	-
(62,620)	43,550
1,206,737	1,355,696
-	-

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

Loss before tax		
Income tax expense/ (revenue) calculated at 25% (2022: 25%)		
Effect of items that are not assessable/deductible in determining taxable loss:		
Non-deductible expenses		
Non-assessable income		
Change in Tax Rates		
Over/(under) provision		
Effect of unused tax losses not recognised as deferred tax assets		

Consolidated	Consolidated
2023	2022
\$	\$
(7,574,728)	(5,720,534)
(1,893,682)	(1,430,134)
357,863	370,867
(271,300)	(290,008)
-	(9,693)
600,382	3,272
1,206,737	1,355,696
-	-

The tax rate used for 2023 and 2022 year was 25% 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

#### Current tax

Share issue costs calculated at 25% (2022: 25%)

Consolidated	Consolidated
2023	2022
\$	\$
(31,648)	(49,500)
(31,648)	(49,500)

### 7.3 Unrecognised deferred tax assets

Unused tax losses (revenue) for which no deferred tax assets have been recognised at 25%
Temporary differences at 25% (2022: 25%)

Consolidated	Consolidated
2023	2022
\$	\$
6,019,804	4,813,067
344,933	375,314

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 2023	Consolidated 2022
	\$	\$
<b>Basic and diluted loss per share (cents per share)</b>	<b>(0.59)</b>	<b>(0.50)</b>

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

	Consolidated 2023	Consolidated 2022
	\$	\$
<b>Loss for the year attributable to the owners of the Company</b>	<b>(7,574,728)</b>	<b>(5,720,534)</b>

	Consolidated 2023	Consolidated 2022
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>1,289,988,955</b>	<b>1,128,290,139</b>

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

## 9. Trade and other receivables

	Consolidated 2023	Consolidated 2022
	\$	\$
Trade receivables	151,628	411,946
Other receivables	50,073	24,807
Prepayments	58,411	47,956
	<b>260,112</b>	<b>484,709</b>

At the reporting date, \$29,957 trade receivables are past due (2022: \$100,329).

## 10. Property, plant and equipment

<b>Cost</b>	Consolidated 2023	Consolidated 2022
	\$	\$
Balance at 1 July	148,209	126,249
Additions	13,642	21,960
Disposals	-	-
Balance at 30 June	<b>161,851</b>	<b>148,209</b>

<b>Accumulated depreciation</b>	Consolidated 2023	Consolidated 2022
	\$	\$
Balance at 1 July	(122,037)	(107,613)
Depreciation expense	(16,983)	(14,424)
Disposals	-	-
Balance at 30 June	<b>(139,020)</b>	<b>(122,037)</b>
<b>Net book value</b>	<b>22,831</b>	<b>26,172</b>

## 11. Trade and other payables

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
Trade creditors	498,620	275,481
Deferred income	-	102,520
Contract liability	756,964	703,703
Accruals and other payables	618,570	559,844
	<b>1,874,154</b>	<b>1,641,548</b>

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

Deferred 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.

## 12. Provisions

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
Provision for employee annual leave entitlements	252,875	187,341

## 13. Issued capital

1,297,989,542 fully paid ordinary shares (June 2022:  
1,195,601,811)

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
	<b>35,180,097</b>	<b>32,484,187</b>

	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>	<b>\$</b>	<b>\$</b>
<b>Movements during the period</b>				
Balance at beginning of the period	<b>1,195,601,811</b>	<b>1,126,804,799</b>	32,484,187	30,738,987
Placement – issued at \$0.028 (FY22: \$0.028) per share	44,171,429	62,971,429	1,236,800	1,763,200
Exercise of options – exercise price (FY22: \$0.036)	56,632,143	5,000,000	1,585,700	180,000
Exercise of performance rights – exercise price \$0.00	1,584,159	825,583		
Capital raising costs (net of tax)	-	-	(126,590)	(198,000)
Balance at end of period	<b>1,297,989,542</b>	<b>1,195,601,811</b>	<b>35,180,097</b>	<b>32,484,187</b>

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.

## 14. Reserves

	<b>Consolidated 2023</b>	<b>Consolidated 2022</b>
	\$	\$
Balance at beginning of the reporting period	13,344,599	12,790,231
Share based payments reserve	766,093	549,191
Foreign currency translation reserve	(42,558)	5,177
<b>Total reserves at end of period</b>	<b>14,068,134</b>	<b>13,344,599</b>

### *Reconciliation of movement in reserves*

	<b>Share based payments reserve</b>	<b>Foreign exchange reserve</b>	<b>Total</b>
Opening balance	13,367,644	(23,045)	13,344,599
Foreign exchange gain/loss recognised	-	(42,558)	(42,558)
Share based payments reserve	766,093	-	766,093
<b>Total reserves at end of period</b>	<b>14,133,737</b>	<b>(65,603)</b>	<b>14,068,134</b>

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.

## 15 Financial instruments

### 15.1 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 2022.

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.

### 15.2 Categories of financial instruments

	<b>Consolidated 2023</b>	<b>Consolidated 2022</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,512,217	6,141,422
Trade and other receivables	260,112	484,709
	<b>2,772,329</b>	<b>6,626,131</b>
<b>Financial liabilities</b>		
Trade and other payables	818,190	835,325
	<b>818,190</b>	<b>835,325</b>

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

### **15.3 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.

### **15.4 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).

### **15.5 Interest rate risk management**

The sensitivity analyses below have been determined based on the exposure to interest rates for cash deposits 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 cash deposits 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 2023 would increase/decrease by \$47,000 (2022: \$72,000).

### **15.6 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 cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

## 15.7 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
	\$	\$	\$	\$	\$	\$
<b>2023</b>						
Trade and other payables	818,190	818,190	-	-	-	818,190
<b>2022</b>						
Trade and other payables	835,325	835,325	-	-	-	835,325

## 16. Key management personnel

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

	Consolidated 2023	Consolidated 2022
	\$	\$
Short-term employee benefits	715,783	692,365
Post-employment benefits	47,729	45,558
Share-based payments	368,731	275,816
	<b>1,132,243</b>	<b>1,013,739</b>

## 17. Related party transactions

### 17.1 Entities under the control of the Group

	Country of Incorporation	Percentage Owned (%)*	
		2023	2022
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

## 17.2 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 16.

## 17.3 Other related party transactions

There were no transactions between the Group and the key management personnel and their related parties during the year (2022: Nil).

## 18. 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 2023 \$	Consolidated 2022 \$
Cash and bank balances	2,512,217	6,141,422

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

	Consolidated 2023 \$	Consolidated 2022 \$
<b>Cash flow from operating activities</b>		
Loss for the year	(7,574,728)	(5,720,534)
Adjustments for:		
Depreciation	16,983	14,424
Share based payments	766,093	549,191
Movements in working capital		
(Increase)/decrease in other receivables	235,052	(120,931)
(Increase)/decrease in prepayments	(10,454)	9,151
Increase/(decrease) in trade and other payables	178,802	(1,748,989)
Increase in provisions	65,535	20,188
<b>Net cash outflows from operating activities</b>	<b>(6,322,717)</b>	<b>(6,997,500)</b>

## 19. Remuneration of auditors

### Auditor of the parent entity

	Consolidated 2023 \$	Consolidated 2022 \$
Audit and review of the financial statements	89,000	90,243
	<b>89,000</b>	<b>90,243</b>

The auditors of PainChek Ltd are BDO Audit Pty Ltd.



## 20. Events after the reporting period

On 14 September 2023 the Group announced the completion of a Placement of shares to sophisticated and professional investors. The Group raised \$3,550,000 before costs, to be conducted in two tranches. Tranche 1 raising \$2,833,779 received in September 2023 and Tranche 2 raising \$716,221 to be paid In November 2023

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

## 21. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the 2023 and 2022 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*

	2023 \$	2022 \$
<b>Assets</b>		
Current assets	2,379,042	6,272,195
Non-current assets	20,667	23,267
<b>Total assets</b>	<b>2,399,709</b>	<b>6,295,462</b>
<b>Liabilities</b>		
Current liabilities	1,432,579	1,472,048
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>1,432,579</b>	<b>1,472,048</b>
<b>Net assets</b>	<b>967,130</b>	<b>4,823,414</b>
<b>Equity</b>		
Issued capital	43,934,803	41,238,892
Reserves	14,172,747	13,406,656
Accumulated losses	(57,140,420)	(49,822,134)
<b>Total equity</b>	<b>967,130</b>	<b>4,823,414</b>
<b>Financial performance</b>		
Loss for the year	<b>(7,318,286)</b>	<b>(5,715,356)</b>

### *Share based payments Reserves*

	2023 \$	2022 \$
Balance at beginning of the reporting period	13,406,656	12,857,465
Share based payments reserve	766,091	549,191
<b>Total reserves at end of period</b>	<b>14,172,747</b>	<b>13,406,656</b>

## 22. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023.

## 23. SHARE BASED PAYMENTS

### Performance rights

The Company has granted performance rights to the non-executive directors (NEDs) and the CEO at the 2022 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. The performance rights shares have the following key terms and conditions:

#### *Non- executive directors:*

- a) each non-executive director receive in each end of financial year on 30 June 2023, 2024 and 2025, 1/3 of their total annual remuneration in Performance Rights (these represent tranches 4, 5 and 6 of all Performance Rights issued to directors);
- b) the number of Performance Rights issued for a year are 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 vest at the end of 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 \$750,000 over the years ending 30 June 2023, 2024 and 2025 with an annual limit of \$250,000 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 are 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**).

The vesting conditions are summarised:

- a) The Performance Rights awarded for a year will vest over 3 years in equal annual amounts commencing one year after the 1 October of the year of award (these represent tranches 4 to 6 of all Performance Rights issued to Philip Daffas) subject to:
  1. The Company's Share price achieving a target Share price for each tranche of an award that is vesting (Award Target Price);
  2. Philip Daffas remains employed by the Company at the vesting 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
  3. Accelerated vesting of all Performance Rights which have been awarded in the event of a change of control transaction provided that Award Target Prices have been met (with the compounded return calculated up until the date of change of control).
- b) The Award Target Price for the FY23 award is twice the Award Issue Price for the first annual tranche and thereafter a compounded annual increase in Share price of 20% p.a. for the second and third tranche
- c) The Award Target Price for the FY24 and FY25 Awards is a compounded annual increase in Share price of 20% p.a. from the relevant Award Issue Price

## Fair value of performance rights granted

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 (\$0.03) (tranche 4), the value of the award specified in applicable years 2024 (tranche 5) and 2025 (tranche 6) over the vesting period.

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 model inputs for the CEO's performance rights granted during the year ended 30 June 2023 included:

- exercise price: nil
- share price at grant date: \$0.03
- expected price volatility of the company's shares: 100%
- expected dividend yield: nil
- risk-free interest rate: 3.30%

Grant date	Grant date	Vesting date	Expiry date	Number of rights outstanding	Grant date fair value
23/11/2022 – Tranche 4*#	23/11/2022	30/06/2023	30/09/2023	33,783,793	\$0.0300
23/11/2022 – Tranche 5	23/11/2022	30/06/2024	30/09/2024	^	\$0.0300
23/11/2022 – Tranche 6	23/11/2022	30/06/2025	30/09/2025	^	\$0.0300
20/11/2019 -Tranche 2B	20/11/2019	01/10/2023	01/01/2024	1,031,978	\$0.1773
20/11/2019 -Tranche 3A	20/11/2019	01/10/2023	01/01/2024	1,980,198	\$0.1763
20/11/2019 -Tranche 3B	20/11/2019	01/10/2022	01/01/2025	1,980,198	\$0.1536
23/11/2022 -Tranche 4A*	23/11/2022	01/10/2023	01/01/2024	2,815,315	\$0.0085
23/11/2022 -Tranche 4B*	23/11/2022	01/10/2024	01/01/2025	2,815,315	\$0.0121
23/11/2022 -Tranche 4C*	23/11/2022	01/10/2025	01/01/2026	2,815,315	\$0.0142
23/11/2022 -Tranche 5A	23/11/2022	01/10/2024	01/01/2025	^	\$0.0171
23/11/2022 -Tranche 5B	23/11/2022	01/10/2025	01/01/2026	^	\$0.0183
23/11/2022 -Tranche 5C	23/11/2022	01/10/2026	01/01/2027	^	\$0.0197
23/11/2022 -Tranche 6A	23/11/2022	01/10/2025	01/01/2026	^	\$0.0149
23/11/2022 -Tranche 6B	23/11/2022	01/10/2026	01/01/2027	^	\$0.0156
23/11/2022 -Tranche 6C	23/11/2022	01/10/2027	01/01/2028	^	\$0.0165

^ The performance rights issued for a year are 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).

\* Performance rights granted during the year – 11,824,324

# Performance rights vested and exercisable – 3,378,379

The following table shows the performance rights granted and outstanding at the beginning and end of the reporting period:

	<b>2023</b>	<b>2022</b>
	<b>Number of performance rights</b>	<b>Number of performance rights</b>
As at 1 July	8,075,147	3,822,810
Granted during the year	11,824,324*	5,544,555
Converted to shares	(1,584,159)	(466,635)
Forfeited during the year	(1,498,614)	(825,583)
As at 30 June	<b>16,816,698</b>	<b>8,075,147</b>

\* Refer above table for performance rights granted during the year to non-executive directors and CEO.

Weighted average remaining contractual life of 1.1 years (2022: 1.3 years)

## Options

Options are routinely granted to employees. The vesting period is 25% vest after 12 months of the grant date and the balance in quarterly instalments over the next 3 years, subject to continued employment. In addition, those granted on 28 October 2020, 1 September 2021 and 1 September 2022 have a further restriction that the underlying shares cannot be disposed of until 2 years after grant date.

Set out below are summaries of options granted under the plan:

	<b>2023</b>		<b>2022</b>	
	<b>Average exercise price per share option</b>	<b>Number of options</b>	<b>Average exercise price per share option</b>	<b>Number of options</b>
As at 1 July	\$0.0666	36,000,000	\$0.1647	45,741,379
Granted during the year	\$0.0300	26,500,000	\$0.0510	12,500,000
Forfeited during the year	\$0.0600	(7,500,000)	\$0.2430	(17,241,379)
Exercised during the year		-	\$0.0360	(5,000,000)
As at 30 June	<b>\$0.0497</b>	<b>55,000,000</b>	<b>\$0.0666</b>	<b>36,000,000</b>
Vested and exercisable 30 June		17,031,250		11,562,500

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 30 June 2023	Share options 30 June 2022
22 Jan 2018	22 July 2022	\$0.070	-	3,000,000
9 May 2019	9 November 2023	\$0.030	3,000,000	4,000,000
26 March 2020	26 September 2024	\$0.110	3,000,000	3,000,000
23 September 2020	23 March 2025	\$0.090	1,000,000	1,000,000
28 October 2020	28 May 2025	\$0.095	-	500,000
26 February 2021	25 August 2025	\$0.084	5,000,000	5,000,000
24 March 2021	24 September 2025	\$0.075	7,000,000	7,000,000
1 September 2021	1 March 2026	\$0.051	9,500,000	12,500,000
1 September 2022	1 March 2027	\$0.030	26,500,000	-
<b>Total</b>			<b>55,000,000</b>	<b>36,000,000</b>
Weighted average remaining contractual life of options outstanding at end of period			2.8 years	2.8 years

#### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2023 was \$0.022 per option (2022 – \$0.03). The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2023 included:

- exercise price: \$0.03 (2022 – \$0.05)
- grant date: 1 September 2022 (2022 – 1 September 2021)
- expiry date: 1 September 2027 (2022 – 1 March 2026)
- share price at grant date: \$0.03 (2022 – \$0.05)
- expected price volatility of the company's shares: 100% (2022 – 100%)
- expected dividend yield: nil (2022 – nil), and
- risk-free interest rate: 3.7% (2022 – 0.58%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Options issued under employee option plan	460,864	411,117
Performance rights	305,229	138,074
Total	<u>766,093</u>	<u>549,191</u>

# DIRECTORS DECLARATION

1. The Directors of the Company declare that:
  - a. the accompanying financial statements and notes are 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 2023 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

This declaration is signed in accordance with a resolution of the Board of Directors.



John Murray  
Chairman  
28 September 2023

# INDEPENDENT AUDITOR'S REPORT



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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 2023, 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 2023 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.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



## 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Revenue Recognition and other income

Key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>The assessment of revenue recognition and income required significant auditor effort and judgement.</p>	<p>We have performed the following procedures to address this risk in the financial report:</p> <ul style="list-style-type: none"> <li>• Reviewed 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.</li> <li>• Assessed 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').</li> <li>• Verified government grant income to bank statements and ensured income is recognised in the correct period and in compliance with AASB 120.</li> <li>• For a sample of transactions, vouched 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.</li> <li>• Assessed the adequacy of the disclosures in the financial statements.</li> </ul>

### **Other information**

The directors are responsible for the other information. The other information comprises the information contained in directors report for the year ended 30 June 2023, 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](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 5 to 25 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of PainChek Limited, for the year ended 30 June 2023, 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**

**T R Mann**  
Director

Brisbane, 28 September 2023

## ADDITIONAL SHAREHOLDER INFORMATION

The following additional information is current as at 18 October 2023.

### CORPORATE GOVERNANCE:

The Company's Corporate Governance Statement is available on the company's website at [www.painchek.com/corporate-governance](http://www.painchek.com/corporate-governance).

### SUBSTANTIAL SHAREHOLDER:

Holder Name	Holding	% IC
PETERS INVESTMENTS PTY LTD	118,650,000	8.437%

### ORDINARY SHARES:

Holdings Ranges	Holders	Total Units	%
1-1,000	92	14,296	0.000
1,001-5,000	413	1,398,452	0.100
5,001-10,000	671	5,129,495	0.360
10,001-100,000	1,956	74,847,773	5.320
100,001-9,999,999,999	1,041	1,324,932,690	94.210
<b>Totals</b>	<b>4,173</b>	<b>1,406,322,706</b>	<b>100.000</b>

There are 80 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	118,650,000	8.437%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,386,386	4.436%
J&E CONSULTING PTY LTD	38,003,125	2.702%
DR KRESHNIK HOTI	37,717,411	2.682%
MR MUSTAFA ABDUL WAHED ATEE	37,003,125	2.631%
BNP PARIBAS NOMS PTY LTD <DRP>	31,032,767	2.207%
MR CRAIG ROBERT WILLIAMSON	23,138,234	1.645%
MR PHILIP DAFFAS	21,524,560	1.531%
G & G CHILCOTT PTY LTD <G & G CHILCOTT S/F A/C>	19,482,725	1.385%
HARLEX FARMS PTY LTD <THE T H MARTIN FAMILY A/C>	18,518,519	1.317%
THORNBURY NOMINEES PTY LTD <THE STEVENS FAMILY S/F A/C>	15,802,500	1.124%
PIPERLAKE PTY LTD <SERTORIO FAMILY ACCOUNT>	15,600,322	1.109%
DARVILLE PTY LTD <DARVILLE FAMILY A/C>	14,484,126	1.030%
MR ALLAN GRAHAM JENZEN & MRS ELIZABETH JENZEN <AG & E JENZEN P/L NO2 SF A/C>	14,141,873	1.006%
CITICORP NOMINEES PTY LIMITED	14,047,223	0.999%

MS ELOISE KATHLEEN JENNINGS & MR ANDREW JOHN HOPKINS <JENNINGS HOPKINS DISCRET A/C>	13,500,000	0.960%
FLUE HOLDINGS PTY LTD <BROMLEY SUPERANNUATION A/C>	13,100,000	0.932%
NANJOP PTY LTD <THE MURRING FAMILY A/C>	12,914,735	0.918%
MR ROBERT ANTHONY HEALY	12,857,143	0.914%
CAPPER SUPERANNUATION PTY LTD <CAPPER SUPER FUND A/C>	11,674,331	0.830%
Total Securities of Top 20 Holdings	545,579,105	39.794%
<b>Total of Securities</b>	<b>1,406,322,706</b>	

## UNQUOTED EQUITY SECURITIES

Number	Number of Holders	Class	Holders of more than 20%
13,438,319	1	PCKAA Performance Rights	Phillip Daffas
3,000,000	1	Share options with an exercise price of \$0.032 and an expiry date of 9 November 2023	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
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
9,500,000	7	Share options with an exercise price of \$0.051 and an expiry date of 1 March 2026	Issued pursuant to ESOP
26,500,000	22	Share options with an exercise price of \$0.28 and an expiry date of 1 March 2027	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.



# PainChek

Intelligent Pain Assessment

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