

**APPENDIX 4E ASX PRELIMINARY FINAL REPORT**

**PainChek Limited**

**ABN 21 146 035 127**

**Year ended 30 June 2023**

Lodged with the ASX under Listing Rule 4.3A

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# PainChek Limited Year Ended 30 June 2023

<b>Financial Year Ended</b>	30 June 2023
<b>Previous Corresponding Reporting Period</b>	Year Ended 30 June 2022

## Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue:</b>		
Revenue from ordinary activities	1,950	99%
Interest income	6	(60%)
Grants received	1,058	(4%)
Other income – government grant	123	(84%)
Total revenue	3,137	10%
<b>Loss from ordinary activities after tax attributable to members</b>	7,575	32%
<b>Net loss attributable to members</b>	7,575	32%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

## Net Tangible Assets per Security

	30 June 2023	30 June 2022
Net tangible asset backing per ordinary security (cents)	0.05	0.40

## Audit/Review Status

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

**If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a**

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**description of the modified opinion, emphasis of matter or other matter paragraph:**

The audit is in progress and not yet completed. The audit report is expected to refer to a material uncertainty relating to going concern in the notes to the accounts which will state:

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

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

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 history of raising capital and the significant progress made on exploiting its intellectual property. The directors are currently exploring a variety of fundraising options.

**If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:**

Not applicable

**Director nominations and AGM**

PainChek advises that its Annual General Meeting will be held on or about 22nd November 2023. In accordance with ASX Listing Rule 14.3, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5.00 pm (AEDT) on 3rd October 2023.

## Commentary on the results for the Financial Year 2023

### Operating results

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 \$3,489,509 (30 June 2022: \$2,350,816), 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 \$3,360,913 (30 June 2022: \$2,775,117) 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.

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.

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<sup>®</sup> 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.

## 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	10	1,955,864	994,148
Other income – R&D Grant & other rebates	11	1,058,399	1,102,500
Other income – Government Grant	12	122,520	750,796
Cost of sales		(1,237,186)	(1,237,392)
Research and development expenses		(3,489,509)	(2,350,816)
Marketing and business development expenses		(1,857,757)	(1,655,464)
Corporate administration expenses	2	(3,361,148)	(2,775,115)
Share based payment expenses	18	(766,093)	(549,191)
<b>Loss before income tax</b>		<b>(7,574,728)</b>	<b>(5,720,534)</b>
Income tax benefit		-	-
<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, net of income tax</b>			
Exchange differences relating to translation of foreign operations		(42,558)	5,177
<b>Other comprehensive income for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(7,617,286)</b>	<b>(5,715,357)</b>
<b>Loss and total comprehensive loss attributable to:</b>			
Owners of PainChek Limited		<b>(7,617,286)</b>	<b>(5,715,357)</b>
<b>Loss per share:</b>			
Basic and diluted (cents per share)	7	(0.59)	(0.50)

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the accompanying supplementary Appendix 4E information.

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## Consolidated statement of financial position as at 30 June 2023

		Consolidated	Consolidated
		30 June 2023	30 June 2022
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents		2,512,217	6,141,422
Trade and other receivables	13	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	14	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	15	1,874,154	1,641,548
Provisions	16	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	17	35,180,097	32,484,187
Reserves	18	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>

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying supplementary Appendix 4E information.



## Consolidated statement of changes in equity for the year ended 30 June 2023

<u>Company</u>	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
<b><u>Consolidated</u></b>					
Balance at 1 July 2021		30,738,987	12,790,231	(35,284,838)	8,244,380
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 (refer to note 17)		1,763,200	-	-	1,763,200
Share issue costs (refer to note 17)		(198,000)	-	-	(198,000)
Issue of shares on exercise of options (Refer to note 17)		180,000	-	-	180,000
Recognition of share based payments (refer to note 18)		-	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><u>Consolidated</u></b>					
Balance at 1 July 2022		32,484,187	13,344,599	(41,005,372)	4,823,414
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 (refer to note 17)		2,822,500	-	-	2,822,500
Share issue costs (refer to note 17)		(126,590)	-	-	(126,590)
Reversal of share based payments		-	(66,102)	-	(66,102)
Recognition of share based payments (refer to note 18)		-	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>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying supplementary Appendix 4E information.

## Consolidated statement of cash flows for the year ended 30 June 2023

	Note	Consolidated	
		Year ended	
		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		0	(1,400,414)
Interest received		6,351	5,195
R&D Grant and other rebates		1,059,047	1,102,127
<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>			
Proceeds from issue of shares	17	2,822,500	1,943,200
Payment of share issue costs	17	(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		6,141,422	11,419,512
Effect of FX on cash balances		10,044	(3,830)
<b>Cash and cash equivalents at the end of the period</b>		<b>2,512,217</b>	<b>6,141,422</b>

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying supplementary Appendix 4E information.

## Supplementary Appendix 4E Information

### 1. Significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by PainChek Limited during the reporting period in accordance with the continuous disclosure requirements of Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The preliminary financial report, comprising the financial statements and notes of PainChek Limited and its controlled entities, complies with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The principal accounting policies adopted in the preparation of the preliminary financial report are consistent with those of the previous financial year.

### 2. Material factors affecting the economic entity for the current period

The loss of the Group for the year ended 30 June 2023, after accounting for income tax benefit, amounted to \$7,574,278 (2022 \$5,720,53). The for the year has been arrived at after charging the following items of expenses:

	Consolidated	Consolidated
	2023	2022
	\$	\$
<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	497,297	215,677
Share registry fees	46,534	52,389
ASX	59,795	58,831
Audit & tax	177,926	186,057
IT & telecommunications	669,697	330,915
Other administration expenses	435,178	468,630
	<b>3,361,148</b>	<b>2,775,117</b>

### 3. Retained Earnings

	Consolidated 2023	Consolidated 2022
	\$	\$
Balance 1 July	(41,005,372)	(35,284,838)
Net loss for the year	(7,574,728)	(5,720,534)
Balance 30 June	<b>(48,580,100)</b>	<b>(41,005,372)</b>

### 4. Additional Dividend Information

There were no dividends paid or proposed during the year (2022: nil).

### 5. Dividend Reinvestment Plan

The company has no dividend reinvestment plan in operation.

### 6. NTA Backing

	Consolidated 2023	Consolidated 2022
	\$	\$
Net tangible asset backing per ordinary share	0.05	0.40

### 7. 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>

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share

	Consolidated 2023 No.	Consolidated 2022 No.
	<b>1,293,545,090</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.

### 8. Share Buyback

The company had no on-market buy back in operation during the year ended 30 June 2022 or the year ended 30 June 2021

## 9. 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.

## 10. Revenue

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Revenue from Contracts with Customers	1,949,513	978,567
Interest income	6,351	15,581
<b>Total Revenue</b>	<b>1,955,864</b>	<b>994,148</b>

## 11. R&D and other rebates

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Government employment allowance	9,811	-
COVID-19 government payments	-	9,809
Research & Development Tax Incentive	1,048,588	1,092,691
<b>Total Other Income</b>	<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.

## 12. Other income – government grants

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</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.

**13. Trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
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).

**14. Property, plant and equipment**

<b>Cost</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
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>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	\$	\$
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>
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**15. 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.

#### 16. Provisions

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

#### 17. Issued capital

	Consolidated 2023	Consolidated 2022
	\$	\$
1,297,989,542 fully paid ordinary shares (June 2022: 1,195,601,811)	<b>35,180,097</b>	<b>32,484,187</b>

	2023 Number	2021 Number	2023 \$	2022 \$
<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.

#### 18. Reserves

	Consolidated 2023	Consolidated 2022
	\$	\$
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

	Share based payments reserve	Foreign exchange reserve	Total
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.

## 19. 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:**

- 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);
- 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;
- 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;
- each Performance Right has the conditional right to acquire one Share;
- the Performance rights are issued for Nil consideration;
- the Performance Rights expire 3 months after the vesting date
- 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 assessed fair value at the date of grant of performance shares issued is determined using a option pricing models that takes into account the exercise price, the underlying share price at the time of issue, the term of the performance rights share, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.

<b>Grant date</b>	<b>Vesting date</b>	<b>Grant date fair value</b>
23/11/2022 – Tranche 4	30/09/2023	\$0.0300
23/11/2022 – Tranche 5	30/09/2024	\$0.0300
23/11/2022 – Tranche 6	30/09/2025	\$0.0300
20/11/2019 -Tranche 2B	01/10/23	\$0.1773
20/11/2019 -Tranche 3A	01/10/23	\$0.1763
20/11/2019 -Tranche 3B	01/10/22	\$0.1536
23/11/2022 -Tranche 4A	01/10/23	\$0.0085
23/11/2022 -Tranche 4B	01/10/24	\$0.0121
23/11/2022 -Tranche 4C	01/10/25	\$0.0142
23/11/2022 -Tranche 5A	01/10/24	\$0.0171
23/11/2022 -Tranche 5B	01/10/25	\$0.0183
23/11/2022 -Tranche 5C	01/10/26	\$0.0197
23/11/2022 -Tranche 6A	01/10/25	\$0.0149
23/11/2022 -Tranche 6B	01/10/26	\$0.0156
23/11/2022 -Tranche 6C	01/10/27	\$0.0165

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
Forfeited during the year	(1,498,614)	(466,635)
Converted to shares	<u>(1, 584,159)</u>	<u>(825,583)</u>
As at 30 June	<b><u>16,816,698</u></b>	<b><u>8,075,147</u></b>

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	<u>(5,000,000)</u>
As at 30 June	<b>\$0.0497</b>	<b><u>55,000,000</u></b>	<b>\$0.0666</b>	<b><u>36,000,000</u></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:

	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	-
Total			<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 March 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:

	2023 \$	2022 \$
Options issued under employee option plan	460,864	411,118
Performance rights	305,229	138,073
Total	<b>766,093</b>	<b>549,191</b>

## 20. Associates and joint venture entities

### *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

The Company did not acquire or dispose of any interests in Joint Ventures or Associates during the year.

## 21. Other significant information

There is no other significant information in addition to the information that has been included in this report in relation to the company's financial performance or financial position.

## 22. Subsequent events

There were no significant subsequent events from 1 July 2023 to the date of signing this document.

## 23. Audit status

This report is based on accounts which are in the process of being audited.