

Appendix 4D



PainChek Limited ABN: 21 146 035 127
Preliminary financial statement for the half-year ended 31 December 2022
as required by ASX listing rule 4.2A

Results for Announcement to the Market (all comparisons to half year ended 31 December 2021)

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	778	128%
Other income – R&D Grant	1,018	(7%)
Other income – Government Grant	123	(81%)
Total Revenue / Other Income	1,919	(8%)
Loss from continuing activities after tax attributable to members	(3,106)	(70%)
Net loss attributable to members	(3,111)	(71%)

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	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

This information should be read in conjunction with the 2022 Annual Report.
 Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2022.

Commentary on Results

Refer to the Review of Operations contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Details Relating to Dividends

N/A

Net Tangible Assets per Security

	31 Dec 2022	31 Dec 2021
Net tangible asset backing per ordinary security	0.4 cents	0.6 cents

Details of Entities Over Which Control has been Gained or Lost

N/A

Details of Associates and Joint Venture Entities

N/A

Audit/Review Status

<p>This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by the Company's independent auditor, BDO Audit Pty Ltd. The independent auditor's review report contains an emphasis of matter in relation to going concern which draws attention to Note 1 in the financial report.</p>
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PainChek Limited

ABN 21 146 035 127

Half year report for the half-year ended

31 December 2022

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

Postal Address

Suite 401, 35 Lime Street
Sydney NSW 2000

Website

Website: www.painchek.com

Auditors

BDO Audit Pty Ltd

Share Registry

Boardroom Pty Ltd
Grosvenor Place
Level 8, 210 George Street
Sydney, NSW 2000
Tel: +61 2 9290 9600
Fax: +61 2 9290 9655

Stock Exchange

Australian Securities Exchange
20 Bridge Street
Sydney, NSW 2000

ASX Code

PCK

Half year report for the half-year ended 31 December 2022

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Directors' report

The directors of PainChek Limited ("PainChek" or "the Company") submit herewith the financial report of the Company and its subsidiary ("Group" or "Consolidated Entity") for the half-year ended 31 December 2022. 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 half-year are noted below. Directors were in office for the entire period unless otherwise stated:

Mr John Murray
Mr Philip Daffas
Mr Ross Harricks
Mr Adam Davey
Ms Cynthia Payne

Operating results

During the half year the Group continued the commercialisation and development of the PainChek App and reported a loss from operations of \$3,105,751 (31 December 2021: \$1,822,411) principally due to:

- Cost of Sales \$621,781 (31 December 2021: \$634,825)
- Share based payments in respect of Director performance rights and management options of \$287,404 (non-cash) (31 December 2021: \$188,123);
- Research and development expenditure of \$1,562,081 (31 December 2021: \$1,069,366);
- Corporate and administration expenses of \$1,587,690 (31 December 2021: \$1,239,461);
- Marketing and business development expenses of \$965,518 (31 December 2021 \$770,989);
- Other Income - R&D Grant of \$1,018,509 (31 December 2021: \$1,090,000); and
- Other Income – Government Grant \$122,520 (31 December 2021: \$648,710).

Operating Cashflow and Funding

The Research & Development Tax incentive has not been registered with AusIndustry for the year to 30 June 2022 and the Company expects to obtain a refund of \$1,018,509 by 30 June 2023.

PainChek currently has sufficient funds to fund ongoing operations for at least the remainder of financial year 2023. PainChek is exploring a variety of fundraising options during the remaining financial year 2023. The Company has successfully raised funds from new investors and current shareholders in the past, and expects this support to continue going forward.

Review of Operations

The 6 months to 31 December 2022 have seen PainChek continue to grow numbers of customers and revenue by developing its aged care business in several countries. The company has also continued to build global partnerships for expansion into new global and product markets. During the half year to December we continued to successfully transition customers off the government funded trial in Australia and onto standard commercial terms.

PainChek® Universal App

The PainChek® Universal App will identify the presence of pain even when it's not obvious; it is fast and easy to use, with a 3 second video of a patient face which recognises 9 micro-facial expressions indicative of pain using AI technology to support a modern pain assessment framework. A digital questionnaire checklist guides the carer in other pain assessment factors such as movement and vocalization, the questions answered with Yes/No decisions.

PainChek® automatically calculates an overall pain score and documents the result via a cloud backend with a pain trend line and monitoring of treatment. It has the capability to integrate into resident medical records.

Core residential aged care expansion

The total customer beds on commercial contracts increased by over 40% since June 2022 and the utility is also increasing, with almost 2 million PainChek clinical assessments conducted in aged care, a growth of over 130% on 31 December 2021. PainChek now has a strong base in Australia and is now increasing customers in New Zealand, UK and Ireland.

Residential aged care user training continues to be delivered remotely and the PainChek clinical team has now trained over 11,000 users and “train the trainers” to assist clients in their transition to digital platforms across Australia and New Zealand.

PainChek has integration agreements and/or in principle agreements to integrate in place with 12 Care Management partners, covering all major CMS providers and up to 205,000 aged care beds in the Australian and New Zealand aged care market. Additional integration agreements are also in place with three medication management partners.

In the UK, we have contracted almost 10,000 residential aged care beds, with over half already being implemented.

Avante Care and National Care Consortium are among the latest aged care providers to adopt PainChek® for use in their care homes. They are the first providers to adopt PainChek® through SCIP (Social Care Innovation Programme) funding — an initiative that aims to improve quality and sustainability in the social care sector.

The Scottish Government Pilot continues with four PainChek® sites to be funded and local health boards exploring further opportunities. The Gwent Regional Pilot in Wales is also underway with the majority of the funded beds taken up by providers.

KPMG Independent impact evaluation

In December, KPMG published the National Rollout of PainChek report outlining its evaluation, including insights and key findings, from the national rollout of PainChek across residential aged care facilities. The evaluation found the national rollout delivered a range of positive impacts for aged care residents, workforce, RACFs and the aged care sector more broadly. The detailed report has been submitted privately to Federal Government, however, the summary document outlines the high-level findings and is available on the PainChek website.

KMPG’s evaluation identified a wide array of both quantitative and qualitative positive outcomes following adoption of PainChek® by the studied cohort. 85% of survey respondents reported benefits of using PainChek® including

- Improved ability to identify pain
- Increased knowledge of pain and how pain manifests in people with dementia and cognitive impairment
- Greater workforce confidence in identifying pain and recognising non-verbal cues
- Improvements in resident health outcomes

Progress in the US and Canada: Moving towards FDA clearance and new strategic partnerships

The US and Canada remain priority growth markets for PainChek, two key markets that together host over 17,000 nursing homes and over 1,900,000 long-term care beds.

With regulatory clearance already secured in Canada, Sherwood Care and another provider have signed for an initial 3-month PainChek® paid pilot prior to a 12-month contract. These pilots will be rolled out in Q3, following a successful integration with PointClickCare (PCC).

The software integration with PCC continues, providing a pathway to more than 10,000 nursing homes and 1,000,000 residents in the US and Canada.

After a positive conversation with the US Food and Drug Administration (FDA), PainChek® is on track to complete the US based clinical trials required for FDA de Novo clearance by Q4 this year. The Human Factors Validation testing has been successfully completed and a US based clinical trial is being conducted by Donawa Lifesciences, the appointed Clinical Research Organisation, who have started recruitment of the local US based clinical sites.

Partnership with InterSystems to bring PainChek® to the hospital market

PainChek and InterSystems are working together to deliver a unique pain assessment capability for the hospital market, bringing the PainChek technology into the global hospital market and to InterSystems global hospital client base.

InterSystems manages over one billion health records in more than 25 countries with its technology. The collaboration will improve clinical workflows, reports and care processes for InterSystems' TrakCare EMR (Electronic Medical Records), based on PainChek® data, which will further support the clinical value of the PainChek® application in the hospital environment.

PainChek and InterSystems are working together to finalise an initial pilot with a large hospital network based in the UK.

Development of a direct-to-consumer program to commercialise PainChek® Infant & children's products

A direct-to-consumer market program is in the process of commencing to build awareness of PainChek® Infant & our children's products, in preparation for the commercial market release later this year.

We continue to generate supportive clinical evidence to expand the clinical indications for the Infant App, this includes a clinical validation study at the Royal Children's Hospital in Melbourne to evaluate the use of PainChek® Infant in the Emergency Department, and recruitment has begun in Europe for an infant circumcision project.

Research and Development

PainChek continues to invest in research and development activities to improve products and develop the clinical data required to both support regulatory clearance and provide the best customer experience.

Development activity has continued with investment in improving the core technology to expand our capability into the desktop and embedded platforms for virtual and remote telehealth pain assessment platforms.

We continue to invest in data analytics to provide greater insights to our clients on pain management as well as support the evolution of new PainChek products and platforms.

We continue to meet all international requirements around cyber security infrastructure and information security.

Research costs in the half year include the US FDA Human factors validation testing for the FDA Adult submission. We also completed validation and clinical utility evidence for Infants post-surgical applications and investigated new vocalisation capability to further enhance the infant technology.

In addition new research such as the Childrens' Disability project with UWA continues to progress.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

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

John Murray

Chairman

27 February 2023

Auditor's independence declaration



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

As lead auditor for the review of PainChek Limited for the half-year ended 31 December 2022, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 27 February 2023

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.

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2022

		Consolidated	
		31 Dec 2022	31 Dec 2021
Note		\$	\$
Revenue	3	777,696	341,643
Other Income – R&D Grant	3	1,018,509	1,090,000
Other income – Government Grant	4	122,520	648,710
Cost of Sales		(621,783)	(634,825)
Research and development expenses		(1,562,081)	(1,069,366)
Corporate and administration expenses		(1,587,690)	(1,239,461)
Marketing and business development expenses		(965,518)	(770,989)
Share based payment expenses		(287,404)	(188,123)
Loss before income tax		(3,105,751)	(1,822,411)
Income tax benefit		-	-
Loss for the period attributable to Owners of PainChek Limited		(3,105,751)	(1,822,411)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences relating to translation of foreign operations		(5,551)	5,921
Total comprehensive loss for the period		(3,111,302)	(1,816,490)
Total comprehensive loss attributable to:			
Owners of PainChek Limited		(3,111,302)	(1,816,490)
Loss per share:			
Basic and diluted (cents per share)	5	(0.2)	(0.2)

Condensed notes to the financial statements are included on pages 10 to 19

Consolidated statement of financial position as at 31 December 2022

		Consolidated 31 Dec 2022 \$	Consolidated 30 June 2022 \$
Current assets			
Cash and cash equivalents		4,781,287	6,141,422
Trade and other receivables	6	1,467,867	484,709
Total current assets		6,249,154	6,626,131
Non-current assets			
Property, plant and equipment		31,738	26,172
Total non-current assets		31,738	26,172
Total assets		6,280,892	6,652,303
Current liabilities			
Trade and other payables		1,440,385	1,641,548
Provisions		145,081	187,341
Total current liabilities		1,585,466	1,828,889
Total liabilities		1,585,466	1,828,889
Net assets		4,695,426	4,823,414
Equity			
Issued capital	7	35,180,097	32,484,187
Reserves		13,626,452	13,344,599
Accumulated losses		(44,111,123)	(41,005,372)
Total equity		4,695,426	4,823,414

Notes to the financial statements are included on pages [10 to 19](#).

Consolidated statement of changes in equity for the half-year ended 31 December 2022

<i>Consolidated</i>	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2021	30,738,986	12,790,231	(35,284,838)	8,244,379
Loss for the period	-	-	(1,822,411)	(1,822,411)
Other comprehensive income	-	5,921	-	5,921
Foreign exchange gains / losses	-	5,921	-	5,921
Total comprehensive loss for the period	-	5,921	(1,822,411)	(1,816,490)
Reversal of share based payments	-	(233,783)	-	(233,783)
Issue of shares on exercise of options	180,000	-	-	180,000
Recognition of share-based payments	-	421,906	-	421,906
Balance at 31 December 2021	30,918,986	12,984,275	(37,107,249)	6,796,012
Balance at 1 July 2022	32,484,187	13,344,599	(41,005,372)	4,823,414
Loss for the period	-	-	(3,105,751)	(3,105,751)
Other comprehensive income	-	(5,551)	-	(5,551)
Total comprehensive loss for the period	-	(5,551)	(3,105,751)	(3,111,302)
Issue of shares (<i>refer to note 7</i>)	2,822,500	-	-	2,822,500
Share issue costs (<i>refer to note 7</i>)	(126,590)	-	-	(126,590)
Reversal of share based payments	-	(55,084)	-	(55,084)
Recognition of share based payments	-	342,488	-	342,488
Balance at 31 December 2022	35,180,097	13,626,452	(44,111,123)	4,695,426

Condensed notes to the financial statements are included on pages 10 to 19

Consolidated statement of cash flows for the half-year ended 31 December 2022

		Consolidated	
		Half-year ended	
	Note	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities			
Receipts from customers		926,506	294,638
Receipt from government grant		20,000	
Payments to suppliers and employees		(4,992,104)	(5,493,002)
Interest received		-	4,018
Rebates and grants received		873	78,700
Net cash used in operating activities		(4,044,725)	(5,115,646)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1,200	-
Payments for property, plant and equipment		(13,544)	(10,831)
Net cash used in investing activities		(12,344)	(10,831)
Cash flows from financing activities			
Proceeds from issue of shares	7	2,822,500	180,000
Payment of share issue costs	7	(126,590)	-
Net cash Inflow/(Outflow) from financing activities		2,695,910	180,000
Net (decrease)/increase in cash and cash equivalents		(1,361,159)	(4,946,478)
Cash and cash equivalents at the beginning of the period		6,141,422	11,419,512
Effect of foreign exchange on cash balances		1,024	(6,994)
Cash and cash equivalents at the end of the period		4,781,287	6,466,041

Condensed notes to the financial statements are included on pages [10 to 19](#)

Condensed notes to the financial statements for the half-year ended 31 December 2022

1. Significant accounting policies

Statement of compliance

The financial statements for the half year ended 31 December 2022 were authorised for issue by the directors on 27 February 2022.

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The fair value of financial assets and financial liabilities approximate their carrying values due to their short-term nature. The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared to the most recent annual financial statements.

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 half year of \$4,044,725 and as at 31 December 2022 has cash and cash equivalents of \$4,781,287. The consolidated entity also generated a loss after tax of \$3,105,751.

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 recent history of raising capital and the significant progress made on exploiting its intellectual property. The directors are exploring a variety of fundraising options during remaining financial year 2023.

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.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

No new or amended standards became applicable for the current reporting period and the group had no change to its accounting policies.

2. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

AASB 8 "Operating Segments" states that similar operating segments can be aggregated to form one reportable segment. The Group operates predominantly in one segment, being the sale of its pain assessment solutions. The primary financial statements reflect this segment.

3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Interest income	-	4,018
Revenue from Contracts with Customers	776,835	336,057
Government incentives	861	1,568
Total revenue	777,696	341,643

R&D and other rebates

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Research & Development Tax Incentive	1,018,509	1,090,000
Total revenue	1,018,509	1,090,000

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.

4. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Government grant	122,520	648,710
	122,520	648,710

5. Loss per share

Consolidated	
31 Dec 2022	31 Dec 2021

Basic and diluted loss per share (cents per share)

(0.2)	(0.2)
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The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

Loss for the half-year attributable to the owners of the Company

Consolidated	
31 Dec 2022	31 Dec 2021
\$	\$
(3,105,751)	(1,822,411)

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

Consolidated	
31 Dec 2022	31 Dec 2021
No.	No.
1,282,118,812	1,124,020,662

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

6. Trade and other receivables

Trade receivables	297,570	411,946
Prepayments	108,517	47,956
Research & Development grant receivable	1,018,509	
Other receivables	43,271	24,807
Total trade and other receivables	1,467,867	484,709

Consolidated	
31 Dec 2022	30 June 2022
\$	\$
297,570	411,946
108,517	47,956
1,018,509	
43,271	24,807
1,467,867	484,709

7. Issued capital

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

Consolidated	
31 Dec 2022	30 June 2022
\$	\$
35,180,097	32,484,187

	Consolidated			
	31 December 2022		30 June 2022	
	No.	\$	No.	\$
Balance at beginning of the reporting period	1,195,601,811	32,484,187	1,126,804,799	30,738,987
Placement – issued at \$0.028 (FY22: \$0.028) per share	44,171,429	1,236,800	62,971,429	1,763,200
Entitlement – issued at \$0.028 (FY22: \$0.028) per share	56,632,143	1,585,700	-	-
Exercise of options nil (FY22: exercise price \$0.036)	-	-	5,000,000	180,000
Capital raising costs		(126,590)	-	(198,000)
Exercise of performance rights – exercise price \$0.00	1,584,159		825,583	-
Balance at end of period	1,297,989,542	35,180,097	1,195,601,811	32,484,187

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.

8. Reserves

	Consolidated	
	31 Dec 2022	30 June 2022
	\$	\$
Balance at beginning of the reporting period	13,344,599	12,790,231
Share based payments reserve	336,392	549,191
Foreign currency translation reserve	(5,551)	5,177
Total reserves at end of period	13,675,440	13,344,599

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	-	(5,551)	(5,551)
Share based payments reserve	287,404	-	287,404
Total reserves at end of period	13,655,048	(28,596)	13,626,452

9. Commitments and contingencies

There has been no change to the commitments and contingencies disclosed in the most recent annual financial report.

10. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

11. 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 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

Non- executive directors

The fair value at the date of grant of performance rights issued to the non-executive directors was calculated based on the share price at the date of issue (\$0.03) (tranche 4), the value of the award specified in applicable years 2024 (tranche 5) and 2025 (tranche 6) over the vesting period.

	Tranche 4	Tranche 5	Tranche 6
Grant date	23 November 2022	23 November 2022	23 November 2022
Exercise price	Nil	Nil	Nil
Vesting condition	Refer above	Refer above	Refer above
Vesting date	30 June 2023	30 June 2024	30 June 2025
Share price at date of grant	\$0.03	\$0.03	\$0.03
Expected dividends	nil	nil	nil
Expiry day	30 September 2023	30 September 2024	30 September 2025
Life of instrument	0.9	1.9	2.9
Fair value of instrument	\$101,351	\$97,270	\$94,160

The performance rights outstanding at the end of the year had a weighted average exercise price of nil and a weighted average remaining contractual life of 1.9 years.

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.

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

CEO

	Tranche 4A	Tranche 4B	Tranche 4C	Tranche 5A	Tranche 5B	Tranche 5C	Tranche 6A	Tranche 6B	Tranche 6C
Grant date	23/11/2022	23/11/2022	23/11/2022	23/11/2022	23/11/2022	23/11/2022	23/11/2022	23/11/2022	23/11/2022
Exercise price	Nil								
Vesting conditions	Refer above								
Share price calculation date	7-Sep-22	7-Sep-22	7-Sep-22	7-Sep-23	7-Sep-23	7-Sep-23	7-Sep-24	7-Sep-24	7-Sep-24
Vest date	1-Oct-23	1-Oct-24	1-Oct-25	1-Oct-24	1-Oct-25	1-Oct-26	1-Oct-25	1-Oct-26	1-Oct-27
Share price at date of grant	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Expected dividends	Nil								
Expiry date	1-Jan-24	1-Jan-25	1-Jan-26	1-Jan-25	1-Jan-26	1-Jan-27	1-Jan-26	1-Jan-27	1-Jan-28
Life (years)	1.11	2.11	3.11	2.11	3.11	4.11	3.11	4.11	5.11
Fair value	\$0.0085	\$0.0121	\$0.0142	\$0.0171	\$0.0183	\$0.0197	\$0.0149	\$0.0156	\$0.0165
Volatility	70%%	70%%	70%	70%	70%	70%	70%	70%	70%
Risk free rate	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
Pricing model	Monte-Carlo Simulation								

Options

During the half year, the following share based payments were issued:

Employee options

26,500,000 options were granted to employees on 1 September 2022. 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. 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 following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Grant date	1 September 2022
Volatility (%)	100%
Risk free interest rate (%)	3.7%
Expected life of option (years)	4.5
Expected dividend yield	Nil
Exercise price per terms and conditions	\$0.03
Underlying security price at grant date	\$0.03
Expiry date	1 March 2027
Value per option	\$0.022

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

Expiry Date	Tranches	Exercise Price	Movements				31 December 2022
			1 July 2022	Issued	Exercised	Expired	
22 July 2022	4	\$0.073	3,000,000	-	-	(3,000,000)	-
09 November 2023	5	\$0.032	4,000,000	-	-	(1,000,000)	3,000,000
30 June 2022	6	\$0.250	-	-	-	-	-
31 March 2024	7	\$0.210	-	-	-	-	-
26 September 2024	8	\$0.110	3,000,000	-	-	-	3,000,000
23 March 2025	9	\$0.090	1,000,000	-	-	-	1,000,000
28 May 2025	10	\$0.095	500,000	-	-	-	500,000
25 August 2025	11	\$0.084	5,000,000	-	-	-	5,000,000
24 September 2025	12	\$0.075	7,000,000	-	-	-	7,000,000
01 March 2026	13	\$0.051	12,500,000	-	-	(2,000,000)	10,500,000
02 March 2027	14	\$0.030	-	26,500,000	-	-	26,500,000
			36,000,000	26,500,000	-	(6,000,000)	56,500,000

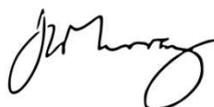
Directors' declaration

The directors declare that:

- (a) in the directors' opinion, 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
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 '*Interim Financial Reporting*' and giving a true and fair view of the financial position at 31 December 2022 and performance of the Consolidated Entity for the period ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



John Murray
Chairman
27 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PainChek Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of PainChek Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 27 February 2023