Appendix 4D

Half Year Report
to the Australian Securities Exchange

Part 1

Name of Entity	PainChek Limited
ABN	21 146 035 127
Half Year Ended	31 December 2019
Previous Corresponding Reporting Period	Half Year Ended 31 December 2018

Part 2 – Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from continuing operations	184	52%
Other income – R&D Grant	799	7%
Other income – Government Grant	500	500%
Total Revenue / Income	**1,483**	**71%**
Loss from continuing activities after tax attributable to members	(9,840)	711%
Net loss attributable to members	(9,840)	711%

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:

The material component of the loss reported above is due to a non-cash share based payment expense of $8.3m substantially resulting from the modification of option vesting conditions approved by shareholders at the AGM on 20 November 2019 (refer to note 5 of the attached financial report).

Part 3 – Contents of ASX Appendix 4D

Part 4 – 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.

Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 6 – Net Tangible Assets per Security

	2019	**2018**
Net tangible asset backing per ordinary security	0.59 cents	0.25 cents

Part 7 – Details of Entities Over Which Control has been Gained or Lost

Name of entity (or group of entities)	**N/A**
Date control gained	**N/A**
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	**N/A**
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	**N/A**
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	**N/A**

Name of entity (or group of entities) lost	**N/A**
Date control lost	**N/A**
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	**N/A**
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	**N/A**
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	**N/A**

Part 8 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2019 %	2018 %	2019 $A'000	2018 $A'000
Name of entity	**N/A**	**N/A**	**N/A**	**N/A**
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	✓
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

If the accounts contain an independent audit report or review 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:

Emphasis of matter relating to going concern.

Attachments Forming Part of Appendix 4D

Attachment No.	**Details**
1	Interim Financial Report

Signed by Company Secretary

JK Hobson

Ian Hobson

26 February 2020

PainChek Limited

ABN 21 146 035 127

Half year report for the half-year ended

31 December 2019

Corporate directory

Board of Directors

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

Company Secretary
Mr Ian Hobson

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Postal Address
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Website
Website: www.paincheck.com

Auditors
BDO Audit Pty Ltd

Share Registry
Boardroom Pty Ltd
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Australian Securities Exchange
20 Bridge Street
Sydney, NSW 2000

ASX Code
PCK

Half year report for the half-year ended 31 December 2019

Contents

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 2019. 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

Operating results

During the half year the Group continued the commercialisation and development of the PainChek App and reported a loss from operations of $9,839,949 (31 December 2018: $1,213,988) principally due to:

- Share based payments in respect of amendments to vesting conditions of options issued to Directors, Director performance rights and management options of $8,348,781 (non-cash);
- Research and development expenditure of $1,022,767 (31 December 2018: $963,971);
- Corporate and administration expenses of $1,498,407 (31 December 2018: $716,936);
- Marketing and business development expenses of $388,158 (31 December 2018: $343,989);
- R&D Grant income of $798,835; and
- Grant revenue of $500,000.

Review of operations

During the period, the Company entered into an agreement with the Federal Government to provide funding of up to $5m for the national trial of PainChek® in Australian residential aged care. The funding under the grant has been allocated as up to $3m in FY2020 and up to a further $2m in FY2021. The funding makes provision for a universal PainChek® access license for the more than 1,000 Residential Aged Care Providers in Australia and their 100,000 residents living with dementia or cognitive impairment for a one-year period.

The total number of contracted aged care beds increased to 32,023 and the number of contracted RAC facilities to 380 in the period, resulting in the number of PainChek® clinical assessments on a cumulative basis growing to just over 76,000, reflecting continued strong take up and clinical use of PainChek®.

Integration Partners:

We have integration agreements in place with six of the major aged care management system ("CMS") providers in Australia, including Person-Centered Software, who also has a strong UK presence. These agreements facilitate the automated documentation and data integration of PainChek® for more than 80% of the 220,000 Australian aged care beds and more than 40,000 beds in the UK. The benefit is rapid, point of care pain assessments that eliminate duplication of effort for carers giving them more time to focus on resident care.

Our integration partners have completed their development and testing programs and have deployed the PainChek® integration into production. Residential aged care clients from all six of the integrated CMS providers are now benefitting from the PainChek® integration. The benefits of integration will be applicable to all aged care centers who participate in the Government funded trial.

PainChek® Clinical Outcomes:
The Company has reached the stage where our growing base of RAC clients are now also able to share the clinical benefits of the use of PainChek® and its impact on their residents' care. We have released five case studies from McLean Care Residential Home in Inverell, Queensland; Barossa Village for Aged Care in South Australia; and Regents Garden, Scarborough in Western Australia. The most recent is from Allambie Heights Village, Northern Sydney, New South Wales.

International Expansion:
The first 1,000 PainChek® license agreement was signed with Person Centered Software UK during the last quarter of 2019 and the licences are being rolled out to the UK market. Person Centered Software is based in the UK and supplies Care Management systems to more than 1,200 aged care providers, servicing over 40,000 residents. PainChek® integration into Person Centered Software's industry leading product range has been completed. Under the agreement, Person Centered Software are distributing PainChek® to their UK client base through their sales, marketing and service capabilities. The PainChek UK team has expanded to 3 people and the first two direct aged care clients were signed up in December 2019.

We completed our first direct license agreement into New Zealand for 300 beds with the Enliven Aged Care home on the South Island during the past quarter.

Philips HealthWorks programme:
PainChek was selected from more than 2000 early stage healthcare companies to participate in the Philips HealthWorks 2019 Global Program focused on accelerating breakthrough innovation in Patient Monitoring and Patient Care Analytics. Having completed the initial 3 months review period, PainChek was invited to present a range of global collaborative opportunities to the Philips executive team during the Breakthrough day in December 2019 which will be further developed during 2020.

Philips is a leading health technology company focused on improving people's health and enabling better outcomes across the health continuum from healthy living and prevention, to diagnosis, treatment and home care. Headquartered in the Netherlands, Philips is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care.

Federal and Drug Administration (FDA):
We continued to progress FDA approval during the period. Following our meeting with FDA in Washington DC in June 2019 and confirmation of the De Novo regulatory classification, we have engaged with two North American agencies to conduct both the Human Factors and Clinical Study work required for the De Novo submission.

PainChek® Children's App:
The research agreement with Melbourne's Murdoch Children's Research Institute (MCRI) was signed in June 2019. MCRI is the largest child health research institute in Australia, and one of top three worldwide and their campus partners include Royal Children's Hospital in Melbourne and the University of Melbourne's Department of Paediatrics. The clinical trial version of the PainChek® Infant App has been finalized for use in the study.

Patents:
The following two granted patents were achieved in the period:
- US patent by the United States Patent Office (Patent number US10398372)
- Japanese patent No. 2017-529115

These patents allow PainChek® to protect the intellectual property of its invention in the United States and Japan. It also provides PainChek with exclusive rights to exclude others from making, using, selling or importing the invention for 20 years from the filing date in the US (17 February 2017).

Trademark progress:
The PainChek® trademark has now been granted in Australia, US, Germany, UK, and the European Union. This provides the Company with the strategic advantage of building a global brand position and the right to exclusively use PainChek® as a company name in these key markets. These are key in establishing a long term successful global business.

Likely Developments and Overview of Group Strategy
Our strategy with the dementia App has been to launch into the Residential Aged Care market in Australia, and then expand into the Home Care market via enterprise customers and our "shared care" business model; before releasing a consumer retail version of the App. Our approach to executing our strategy has been to partner with existing industry players to reach our target market as well as selling direct to enterprise customers.

A key sales focus has been developing partnerships with existing vendors of CMS for the aged care sector to ensure integration of PainChek® assessments into these systems as well as provide customer introductions. We expect integration with these CMS companies will accelerate PainChek® take up, especially for the larger RAC providers. We have six partnerships now live in 2020.

We continue to progress our overseas expansion strategy. PainChek UK is now well placed to accelerate the take up with PCS UK and broaden its own direct UK sales, and the UK base will also provide a platform for European market entry during calendar 2020. We continue to receive strong interest from other international markets, which will further expand our commercial progress and global market reach.

In USA, we are on track for the pre-submission request to FDA in the current quarter prior to initiation of the study work which is scheduled for Q2-Q3 calendar 2020. The cost of this work is budgeted, and we anticipate completing the De Novo submission for FDA clearance for the PainChek® Adult App during calendar 2020, and FDA clearance is expected during CY2021.

Our business strategy continues to include the release of a Children's App for assessing pain in young children. The PainChek® Children's App serves a potentially even larger market than the Adult App with a large hospital market and home care market opportunity. Globally there are more than 400 million children at any one time between the age of 0-3 years. Due to the rapid changes and development in children's faces, the PainChek® Children's App is scheduled to be delivered in 3 age group versions, with the youngest Infant App (infants 0-1 years of age) being the first developed and to undergo clinical research during CY2020. Commercial availability of the Kids App is slated for late CY2020.

We will continue our patent and trade mark approval application processes in order to achieve approvals in expanded national jurisdictions.

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

John Murray
Chairman
26 February 2020

Auditor's independence declaration

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF PAINCHEK LIMITED

As lead auditor for the review of Painchek Limited for the half-year ended 31 December 2019, 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 Company Name and the entities it controlled during the period.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2020

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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 2019, 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 then ended, notes comprising a statement of 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 half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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 *Corporations Regulations 2001*.

Emphasis of matter - 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.

Directors' responsibility for the Half-Year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 26 February 2020

Directors' declaration

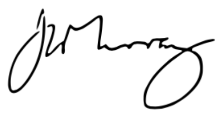
The directors declare that:

(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 2019 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
26 February 2020

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019 $	31 Dec 2018 $
Continuing operations			
Revenue	3	183,649	121,299
Other Income – R&D Grant	7	798,835	745,258
Other income – Government Grant		500,000	-
Cost of Sales		(63,347)	-
Foreign exchange		(973)	-
Research and development expenses	4	(1,022,767)	(963,971)
Corporate and administration expenses		(1,498,407)	(716,936)
Marketing and business development expenses		(388,158)	(343,989)
Share based payment expenses	5	(8,348,781)	(55,649)
Loss before income tax		**(9,839,949)**	**(1,213,988)**
Loss for the period attributable to Owners of PainChek Limited		**(9,839,949)**	**(3,417,535)**
Other comprehensive income, net of income tax		**8**	**-**
Total comprehensive loss for the period		**(9,839,941)**	**(1,213,988)**
Loss and total comprehensive loss attributable to:			
Owners of PainChek Limited		**(9,839,941)**	**(1,213,988)**
Loss per share:			
Basic and diluted (cents per share)	6	(1.0)	(0.1)

Condensed notes to the financial statements are included on pages 13 to 18

Consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
Current assets			
Cash and cash equivalents		5,886,626	4,562,476
Trade and other receivables	7	1,055,815	171,169
Total current assets		**6,942,441**	**4,733,645**
Non-current assets			
Property, plant and equipment		15,975	15,716
Total non-current assets		**15,975**	**15,716**
Total assets		**6,958,416**	**4,749,361**
Current liabilities			
Trade and other payables		754,094	565,192
Provisions		68,552	63,247
Total current liabilities		**822,646**	**628,439**
Total liabilities		**822,646**	**628,439**
Net assets		**6,135,770**	**4,120,922**
Equity			
Issued capital	8	21,261,767	17,755,759
Reserves	9	11,549,714	3,200,925
Accumulated losses		(26,675,711)	(16,835,762)
Total equity		**6,135,770**	**4,120,922**

Condensed notes to the financial statements are included on pages 13 to 18

Consolidated statement of changes in equity for the half-year ended 31 December 2019

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2018	**13,710,033**	**3,088,014**	**(13,573,344)**	**3,224,703**
Loss for the period	-	-	(1,213,988)	(1,213,988)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(1,213,988)**	**(1,213,988)**
Transactions with owners in their capacity as owners:				
Issue of shares on conversion of options (*refer to note 8*)	5,000	-	-	5,000
Recognition of share based payments	-	55,649	-	55,649
Balance at 31 December 2018	**13,715,033**	**3,143,663**	**(14,787,332)**	**2,071,364**
Balance at 1 July 2019	**17,755,759**	**3,200,925**	**(16,835,762)**	**4,120,922**
Loss for the period	-	-	(9,839,949)	(9,839,949)
Other comprehensive income				
Foreign exchange gains / losses	-	8	-	8
Total comprehensive loss for the period	**-**	**8**	**(9,839,949)**	**(9,839,941)**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares (refer to note 7)	1,000,000		-	1,000,000
Share issue costs (refer to note 7)	(55,696)		-	(55,696)
Issue of shares on exercise of options (*refer to note 7*)	2,561,704	-	-	2,561,704
Recognition of share-based payments	-	8,348,781	-	8,348,781
Balance at 31 December 2019	**21,261,767**	**11,549,714**	**(26,675,711)**	**6,135,770**

Condensed notes to the financial statements are included on pages 13 to 18

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 Dec 2019 $	Consolidated Half-year ended 31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers		129,248	52,385
Payments to suppliers and employees		(2,832,513)	(2,151,187)
Interest received		30,776	75,807
Rebates and grants received		500,000	745,258
Net cash used in operating activities		**(2,172,489)**	**(1,277,737)**
Cash flows from investing activities			
Payments for property, plant and equipment		(9,369)	(3,657)
Net cash used in investing activities		**(9,369)**	**(3,657)**
Cash flows from financing activities			
Proceeds from issue of shares		3,561,704	5,000
(Payment) of share issue costs		(55,696)	-
Net cash Inflow/(Outflow) from financing activities		**3,506,008**	**5,000**
Net (decrease)/increase in cash and cash equivalents		**1,324,150**	**(1,276,394)**
Cash and cash equivalents at the beginning of the period		4,562,476	3,606,115
Cash and cash equivalents at the end of the period		**5,886,626**	**2,329,721**

Condensed notes to the financial statements are included on pages 13 to 18

Condensed notes to the financial statements for the half-year ended 31 December 2019

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with annual financial statements of the Group for the year ended 30 June 2019 together with any public announcements made during the following half year.

The half-year financial report was authorised for issue by the directors on 26 February 2020.

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.

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.

On 29 April 2019, the Australian Government announced a one-year funded trial of the PainChek application for Australians with dementia living in residential aged care facilities. Subsequently in December 2019, the Australian Government signed a grant funding contract (total amounting to $5 million) with the Company for the national trial of the PainChek application. 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.

Significant judgement

The linkage of the two separate agreements above required further consideration as to which accounting standard was relevant in their application and whether they were linked for accounting standard purposes. Management has determined that:-

- The grant agreement and the services agreement should not be combined for the purposes of assessment under AASB 15 *Revenue from Contracts with Customers*;
- The Commonwealth Government Grant Agreement needs to treated in accordance with the requirements of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance;*

- For the first year of the services agreement, there is no accounting. For the 2nd and 3rd years, the services agreement should be accounted for in accordance with AASB 15.

The first milestone of "Payment on Execution" of the agreement was met and as a result the $500,000 was recognised as revenue for half year ending 31 December 2019.The remainder of the grant funding will be recognised as the milestones become "reasonably assured."

Modification to share based payments
When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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 $2,172,489 (31 December 2018: $1,277,737) and as at 31 December 2019 has cash and cash equivalents of $5,886,626 (30 June 2019: $4,562,476). The consolidated entity also generated a loss after tax of $9,839,949 (31 December 2018: $1,213,988).

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.

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

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 16 Leases. The impact of the adoption of this standard and the new accounting policies are disclosed below.

AABS 16 Leases
The Company has adopted AASB 16 Leases from 1 July 2019 which resulted in changes in accounting policies. There was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement.

As at the reporting date, the Group had one short-term and low-value lease for its premises at suite 401, 35 Lime Street, Sydney NSW 2001. Therefore, there has been no amount recognised as a right-of-use asset and lease liability recognised on adoption of the new standard and no effect on the Group's profit or loss and classification of cash flows going forward.

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. Following the acquisition of Electronic Pain Assessment Technologies (EPAT) Pty Ltd the Group aggregated all its reporting segments into one reportable operating segment. Prior to that, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

3. Revenue

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Interest income	30,776	69,633
Revenue from contracts with customers	152,873	51,666
Total revenue	**183,649**	**121,299**

4. Research and development expenses

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
App development	462,878	507,552
Validation and implementation	111,041	237,660
Salaries and on costs	448,848	218,759
Total research and development expenses	**1,022,767**	**963,971**

5. Share Based Payments

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

Employee options
3,000,000 options were granted to an employee on 30 September 2019. 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
Volatility (%)	100%
Risk free interest rate (%)	1.48%
Expected life of option (years)	4.5
Expected dividend yield	Nil
Exercise price per terms and conditions	$0.21
Underlying security price at grant date	$0.295
Expiry date	31 March 2024
Value per option	$0.225

Director Performance Rights

1,306,578 performance rights were issued to directors following shareholder approval at the AGM on 20 November 2019. The fair value of the performance rights at grant date are determined using the share price at date of grant which is then expensed over the vesting period.

Director options – change of tranche 3 vesting conditions

90,198,155 options were granted to the Directors as approved by shareholders at the annual general meeting on 23 November 2016 and vested over three equal tranches. Tranches one and two had vested in prior periods. At the AGM on 20 November 2019, shareholders approved the variation of the vesting conditions for 30,066,052 tranche 3 options. The Company has expensed the incremental fair value of the options at the time of the modification. The incremental fair value is the difference between the fair value of the modified equity instrument and the fair value of the of the original instrument, both estimated as at the date of the modification and being $0.27 per option, resulting in a non-cash expense of $8,117,834 recognised during the period.

6. Loss per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
Basic and diluted loss per share (cents per share)	**(1.0)**	**(0.1)**

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

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Loss for the half-year attributable to the owners of the Company	**(9,839,949)**	**(1,213,988)**

	Consolidated	
	31 Dec 2019 No.	31 Dec 2018 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**943,304,550**	**837,784,044**

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

7. Trade and other receivables

	Consolidated	
	31 Dec 2019 $	30 June 2019 $
Other receivables	175,812	161,337
R&D grant receivable	798,835	-
Prepayments	81,168	9,832
Total trade and other receivables	**1,055,815**	**171,169**

8. Issued capital

	Consolidated	
	31 Dec 2019 $	30 June 2019 $
Fully paid Ordinary shares	**21,261,767**	**17,755,759**

	Consolidated			
	31 December 2019		30 June 2019	
	No.	$	No.	$
Balance at beginning of the reporting period	906,658,727	17,755,759	837,634,587	13,710,033
Issued pursuant to capital raising	6,896,552	1,000,000	21,724,138	3,150,000
Capital raising costs	-	(55,696)	-	(168,774)
Issued on conversion of options	121,967,121	2,561,704	47,300,000	1,064,500
Balance at end of period	**1,035,522,400**	**21,261,767**	**906,658,727**	**17,755,759**

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.

9. Reserves

	Consolidated	
	31 Dec 2019 $	30 June 2019 $
Balance at beginning of the reporting period	3,200,925	3,088,014
Issue of 5,000,000 Employee options	8,852	30,466
Issue of 3,000,000 Employee options	14,728	59,478
Issue of 4,000,000 Employee Options	81,269	22,967
Issue of 3,000,000 Employee Options	98,051	-
Issue of 1,306,578 Director Performance Rights	28,047	-
Modification of Director Vesting Terms (refer note 5)	8,117,834	-
Foreign exchange	8	-
Total reserves at end of period	**11,549,714**	**3,200,925**

Option movement during the period:

Options	**Consolidated**	
	31 Dec 2019 No.	**30 June 2019 No.**
Balance at beginning of the reporting period	144,760,224	178,167,730
Issue of employee options	3,000,000	4,000,000
Variation of Director Vesting Terms	-	-
Option vesting expense	-	-
Issue of free attaching options (Capital Raising)	3,448,276	10,862,069
Expiry of options	-	(969,575)
Exercise of options	(121,967,121)	(47,300,000)
Balance at end of period	**29,241,379**	**144,760,224**

Performance Rights	**Consolidated**	
	31 Dec 2019 No.	**30 June 2019 No.**
Balance at beginning of the reporting period	-	-
Issue of director performance rights	1,306,578	-
Balance at end of period	**1,306,578**	**-**

Foreign Exchange	**Consolidated**	
	31 Dec 2019 $	**31 Dec 2018** $
Balance at beginning of the reporting period	-	-
Movement in period	8	-
Balance at end of period	**8**	**-**

10. Commitments and contingencies

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

11. 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.