PainChek
Intelligent Pain Assessment

PainChek Limited

ABN 21 146 035 127

Financial Report for the year ended

30 June 2020

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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ASX Code
PCK

Annual Financial Report for the year ended 30 June 2020

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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 year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

General Manager. His remit included developing EMI's medical business in this region.

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

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

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

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

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

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

Company Secretary (appointed 30 September 2016) B.BUS FCA ACIS MAICD

Mr Ian Hobson was appointed to the positions of Company Secretary and Chief Financial Officer on 30 September 2016.

A Fellow Chartered Accountant and Chartered Secretary, Mr Hobson has more than 30 years' experience in the areas of corporate finance, governance, corporate accounting, company secretarial and restructuring advice. Mr Hobson was a director of PricewaterhouseCoopers and Ferrier Hodgson Chartered Accountants before specializing in providing company secretarial and corporate accounting services to listed entities.

OPERATIONS REPORT

Principal Activities

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

Financial and operational review

The loss of the Group for the year ended 30 June 2020, after accounting for income tax benefit, amounted to $12,392,659 (2019: $3,262,418). The year ended 30 June 2020 operating results are attributed to the following:

- Research & Development expense of $2,270,461 (30 June 2019: $1,894,536);
- Share based payments in respect of options issued to Directors and employees of $8,907,808 (non-cash) (30 June 2019: $112,911 (non-cash)); and
- Corporate and administration expenses of $2,584,273 (30 June 2019: $1,486,446).

In addition, the statement of financial position as at 30 June 2020 was impacted by:

- Proceeds from capital raising of $1,000,000; and
- Proceeds from the exercise of 121,967,121 options which raised $2,561,704.

Review of operations

The PainChek® technology uses cameras in smartphones and tablets to capture a brief video of the person, which is analysed in real time using facial recognition software to detect the presence of facial micro-expressions that are indicative of the presence of pain. The PainChek® technology has been TGA and CE Mark cleared for use as a class 1 medical device to assess pain in people who are unable to verbalise, such people with dementia.

The PainChek® Adult App has been clinically proven and regulatory cleared, and in April 2019 the Federal Government announced it would invest $5M to facilitate the implementation of the PainChek® app in Australian residential aged care centers (RAC's). More than 150,000 clinical pain assessments have been conducted in Australian aged care, with an increasing number of case study reports confirming the clinical and cost benefit.

There are now more than 61,000 beds in 722 RAC facilities that have been contracted with annual subscription agreements in Australia and annual recurring revenue (ARR) exceeding $2.6 million when implemented. This varies to the revenue recognised in the income statement in accordance with the Group's accounting policy for Reveue set out on page 29. ARR is projected to accelerate with the government funding initiative and international expansion.

At 30 June 2020 there were 24,435 active licensed beds in RACs, up from 4,725 beds at 30 June 2019. There was a backlog of over 35,000 contracted beds at 30 June 2020 planned to be implemented after the year end.

We have entered international markets in the UK through the establishment of our fully owned subsidiary PainChek UK and a distribution partnership with PCS UK. New sales have commenced in New Zealand and Singapore and we continue to finalize other international agreements to address the large market opportunities and the 50 million people living with dementia globally.

While COVID 19 has significantly impacted the PainChek® Adult App FDA studies, we have completed the clinical protocols and established a range of clinical partners to commence the US based clinical work once as soon as it is possible. In addition, as the Children's clinical study work with the Murdoch Children's Research Institute has been delayed, we have commenced with an alternate clinical study approach for the Children's App. The Children's App serves an even larger market, where globally there are more than 400 million children between the aged of 0-3 years.

These achievements are a reflection of the transformational impact PainChek App has on pain management and the provision of better medication treatment for residents living with dementia and other communication difficulties.

Likely Developments and Overview of Group Strategy

The Company will continue with the commercialisation of the PainChek® technology in Australia and the UK as the priorities and continue to assess global opportunities. We have applied for regulatory clearance in Canada to allow for a 2021 entry into the Canadian market. We continue to receiving overseas interest including UK, Germany, US and Asia, which will support our international market expansion strategy.

Our collaboration with Philips Healthcare was established in 2019 and both parties are entering into a research collaboration in Europe and assessing a range of the global technology collaboration opportunities in the hospital sector.

The business market segments being pursued by the Company include RAC Operators, Health Care Professionals, Home Care Operators and Direct to Home Carers. In parallel, we are developinga strategy for the consumer version of the Painchek® Adult. This will be commercialised initially through a "shared care" model that allows healthcare professionals to provide access to PainChek® for family and friends caring for dementia patients in the home to use.

We have finalised the agreed additional clinical validation work required for the de novo regulatory application with FDA for approval of our PainChek® Adult App in the US market. This work is budgeted, and we continue to project FDA clearance for the PainChek® Adult App during 2021.

The adapted PainChek kids *PainFaces* clinical study provides for the use of video analysis to asses clinical pain levels. The results and learnings from the research will support applications for regulatory approval of PainChek® Infant's App with the Therapeutics Goods Administration (TGA), CE Mark, Europe in 2021 and the Food and Drug Administration (FDA) in the USA in 2022. This will be in addition to any outcomes derived from planned clinical studies with Murdoch Children's Research Institute during 2021.

Subsequent events

On 11 August 2020, the group announced a capital raising of $10,000,000 (before costs) by way a placement of 90,909 091 fully paid ordinary shares at $0.11 per share. The funds were received and the shares allotted on 17 August 2020. Otherwise, no matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

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

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

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

Performance Based Remuneration

The Company is a technology development entity and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, Directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options, equity-based performance incentives and cash bonus' have been and may be further issued to provide a performance-linked incentive component in the remuneration package for the Directors and for the future performance by the Directors and key management personnel in managing the operations and strategic direction of the

Company. All remuneration paid to Directors is valued at the cost to the Company and expensed. Options are valued using an appropriate valuation methodology. For details of Directors' and executives' interests in options and performance rights at year end, refer to section (d) of this remuneration report.

Short term incentive

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

Remuneration Consultant

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

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

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

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

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

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

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

Performance Income as a Proportion of total compensation

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

Director	Current Fee	New Performance Rights	Total New Remuneration	% Increase
John Murray	$ 80,000	$ 40,000	$ 120,000	50%
Adam Davey	$ 40,000	$ 20,000	$ 60,000	50%
Ross Harricks	$ 40,000	$ 20,000	$ 60,000	50%
	$ 160,000	$ 80,000	$ 240,000	50%

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

The notional value of performance rights as set out in the AGM Notice will differ to the value required to be recognised for accounting purposes in accordance with AASB 2 *Share Based Payments*.

Remuneration Consultant Benchmarks

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

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

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

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

CEO remuneration review

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

The Company entered into a new agreement with Philip Daffas to increase his fixed and variable cash remuneration to a maximum of $400,000 per annum which together with the proposed $200,000 grant of Performance Rights, will result in total statutory remuneration of $600,000 for FY20. The notional value of performance rights as set out in the AGM Notice will differ to the value required to be recognised for accounting purposes in accordance with AASB 2 *Share Based Payments*.

In FY19 total statutory remuneration paid to Philip Daffas was $337,500 (there was no LTI component of his statutory remuneration in FY19 as the original 2016 options were expensed in FY17 and FY18).

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

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

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

Vesting of the Performance Rights is conditional on the following:

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

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

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

The following table summarises the above terms:

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

Director 2016 options – variation of vesting terms

At the 2019 Annual General Meeting, shareholders approved the variation of 1/3 of the directors' 2016 option terms so that the options vested and were immediately exercisable.

At the 2016 annual general meeting, shareholders approved the issue of 90,188,155 Options (subject to vesting conditions) to directors exercisable at 2 cents per share and expiring on 24 November 2019. Two thirds (2/3) of the 2016 Options had vested whilst the remaining one third (1/3) vest once the Company generates cumulative revenue of $1 million.

The number of 2016 Options applicable to each director is set out as follows:

Name	Position	Number of Options	Vested	Unvested	Value $
Mr John Murray	Non-executive Chairman	24,599,497	16,399,665	8,199,832	2,213,955
Mr Adam Davey	Non-executive Director	12,299,748	8,199,832	4,099,916	1,106,977
Mr Ross Harricks	Non-executive Director	12,299,748	8,199,832	4,099,916	1,106,977
Mr Philip Daffas	Managing Director	40,999,162	27,332,775	13,666,387	3,689,925
TOTAL		**90,198,155**	**60,132,104**	**30,066,051**	**$8,117,834**

The original vesting condition for 30,066,051 unvested options is that the Company generates "cumulative revenue of $1,000,000" by the expiry date of 24 November 2019.

On 20 November 2019, shareholders approved modification of the vesting condition of 30,066,051 unvested 2016 Options to the Directors to achieving signed customer contracts with total annualised contracted revenue of at least $1 million by 24 November 2019. Annualised contracted revenue will be calculated based on MRR for contracts with at least a 12 month term, and on the assumption that a contract is fully implemented in accordance with the contract terms and rolled out across all the RAC facilities and beds covered under the contract.

Financial impact of the modification of vesting condition of Unvested 2016 Options

The Company incurred an additional non-cash, share based payment expense in FY2020 arising from Shareholder approval to modification of the terms of the unvested 30,066,051 Options. The amount of this expense is the increase in fair value of the unvested Options arising from the modification. This increase in fair value was calculated on the difference between the market value of the Company's shares on the date of approval and the exercise price of 2 cents per Share Option, and the adjusted probability of achieving the modified condition of vesting. If at the date of Shareholder approval, the original condition was not met the unvested Share Options would have a nil fair value. If at the date of approval, the Company has however achieved the modified condition of vesting there will be a 100% probability of achieving the modified vesting condition. The unvested Share Options had a fair value of $8.1m resulting in a non-cash, share based payment expense of $8.1 million.

Remuneration Policy of Key Management Personnel

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

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

Non-executive Directors

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

Directors' Fees

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

Service Agreements

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

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

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

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

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

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

Directors

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

Other Key Management Personnel

Ian Hobson	Chief Financial Officer and Company Secretary

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

(b) Compensation of Key Management Personnel

Remuneration Policy
The Board of Directors, comprising a majority of Non-Executive Directors, is responsible for determining and reviewing compensation arrangements for the key management personnel. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by

reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Remuneration of Directors is set out below.

The value of remuneration received, or receivable, by key management personnel for the financial year to 30 June 2020 is as follows:

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

2019	Primary		Equity Compensation		Post-employment		Performance related %
Directors	Base Salary and Fees $	Cash Bonus $	Value of Options (d) $	Performance Rights (e) $	Superannuation Contributions $	Total $	
John Murray	73,059	-	-	-	6,941	80,000	-
Philip Daffas	205,479	149,030*	-	-	22,991	377,500	39%
Ross Harricks	36,530	-	-	-	3,470	40,000	-
Adam Davey	40,000	-	-	-	-	40,000	-
Total Directors	**355,068**	**149,030**	**-**	**-**	**33,402**	**537,500**	28%
Ian Hobson	122,825	-	-	-	-	122,825	-
Total	**477,893**	**149,030**	**-**	**-**	**33,402**	**660,325**	23%

*A short term incentive performance bonus of $40,000 including superannuation was paid to Mr Daffas for the 9 months ended 30 June 2018. A further short term performance bonus of $112,500 including superannuation was agreed to be paid to Mr Daffas for the year ended 30 June 2019 based on Mr Dafas achieving certain internal KPI's.

c) Shares Held by Key Management Personnel

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

2019	Balance at 1 July 2018	Bought & (Sold)	Share Consolidation	Shares issued in lieu of cash*	Other+	Balance at 30 June 2019
Directors						
John Murray	-	-	-	-	-	-
Philip Daffas	-	-	-	-	-	-
Ross Harricks	-	-	-	-	-	-
Adam Davey	3,540,764	-	-	-	-	3,540,764
	3,540,764					**3,540,764**
Other key management personnel						
Ian Hobson	-	-	-	-	-	-
	3,540,764	**-**	**-**	**-**	**-**	**3,540,764**

d) Options Held by Key Management Personnel

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

2019	Balance at 1 July 2018	Received as Remuneration	Exercise of Options	Other +	Balance at 30 June 2019	Vested and Exercisable	Unvested
Directors							
John Murray	24,599,497	-	-	-	24,599,497	16,399,665	8,199,832
Philip Daffas	40,999,162	-	-	-	40,999,162	27,332,775	13,666,387
Ross Harricks	12,299,748	-	-	-	12,299,748	8,199,832	4,099,916
Adam Davey	12,299,748	-	-	-	12,299,748	8,199,832	4,099,916
	90,198,155	**-**	**-**	**-**	**90,198,155**	**60,132,104**	**30,066,051**
Other key management personnel							
Ian Hobson	-	-	-	-	-	-	-
	90,198,155	**-**	**-**	**-**	**90,198,155**	**60,132,104**	**30,066,051**

e) Performance Rights Held by Key Management Personnel

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

2019

There were nil performance rights held by KMP in FY19

Share, Performance Rights and Option Holdings

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

f) Compensation Options and Performance Rights

Options

During and since the financial year ended 30 June 2020, Nil options were granted by the Company to Directors or Key Management Personnel (2019: Nil) and 90,198,155 options (2019: Nil) were exercised by Directors or Key Management Personnel.

Performance rights

During and since the financial year ended 30 June 2020, 1,306,578 performance rights were granted by the Company to Directors in lieu of cash remuneration following shareholder approval on 20 November 2019 (2019: Nil) for financial year ended 30 June 2020. 373,308 of these performance rights (2019: Nil) were exercised by Directors in July 2020. In addition, performance rights with a face value of $560,000 were granted for financial years 30 June 2021 and 30 June 2022 subject to various vesting conditions referred to in the section above under "Remuneration Consultant Benchmarks".

<u>CEO performance rights</u>

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

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

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

<u>Non-executive director performance rights</u>

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

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

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

g) Short term employee benefits

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

h) Post-employment benefits

These amounts are superannuation contributions made during the year.

Transactions with Directors and Director related entities

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

Loans to Key Management Personnel

There was no loans to KMP during the year.

End of Remuneration Report

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

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

MEETINGS OF DIRECTORS

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

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

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

OPTIONS

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

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted Options	3 October 2021	$0.36	5,000,000
Unlisted Options	22 July 2022	$0.726	3,000,000
Unlisted Options	9 November 2023	$0.032	4,000,000
Unlisted Options	30 June 2022	$0.25	14,241,379
Unlisted Options	31 March 2024	$0.21	3,000,000
Unlisted Options	26 September 2024	$0.11	3,000,000

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

PERFORMANCE RIGHTS

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

Granted to	Date Right granted	Expiry date	Issue price of shares	Value of performance rights approved at the AGM	No.of performance rights under plan
Non executive directors	20/11/2019	30/09/2020	$0.29	$108,259	373,308
Non executive directors	20/11/2019	30/09/2021	$0.29	$78,928	*
Non executive directors	20/11/2019	30/09/2022	$0.29	$78,302	*
CEO	20/11/2019	01/01/2022	$0.29	$92,833	466,635
CEO	20/11/2019	01/01/2023	$0.29	$92,779	466,635
CEO	20/11/2019	01/01/2023	$0.29	$58,904	*
CEO	20/11/2019	01/01/2024	$0.29	$59,421	*
CEO	20/11/2019	01/01/2024	$0.29	$60,300	*
CEO	20/11/2019	01/01/2025	$0.29	$56,014	*
					1,306,578

*Number of rights for FY2021 and FY2022 to be determined at future date, equivalent to value of performance rights approved at the AGM divided by the volume weighted average price (VWAP) of PainChek Ltd shares, calculated 5 days either side of and including the date of announcement of the Company's annual statutory results for the financial year preceding the the financial year of the Award.

373,308 ordinary shares were issued as a result of the conversion of performance rights since the financial year ended 30 June 2020.

EQUITY HOLDINGS

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

Directors	Number of Shares	Number of Options	Number of Performance Rights
John Murray	12,486,402	-	-
Adam Davey	9,783,965	-	-
Philip Daffas	20,499,581	-	933,270
Ross Harricks	6,243,201	-	-
Total	**48,639,841**	**-**	**933,270**

INSURANCE OF OFFICERS

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

PROCEEDINGS ON BEHALF OF THE GROUP

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

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

NON-AUDIT SERVICES

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

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

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

Details of the amounts paid or payable to the auditor, BDO Audit Pty Ltd for audit services provided during the year are set out in note 20 to the financial report.

Non-audit services	**2020** **$**	2019 $
BDO Audit Pty Ltd		
Tax advice services	**-**	-
Tax compliance services	**-**	-
Total remuneration for non-audit services	**-**	-

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of this report.

Signed in accordance with a resolution of directors.

John Murray
Chairman
28 August 2020, Sydney, NSW

Auditor’s independence declaration

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

As lead auditor of PainChek Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 28 August 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Note	Consolidated	Consolidated
		30 June 2020 $	30 June 2019 $
Revenue	3	297,175	215,464
Other income – R&D Grant & other rebates	4	848,835	745,258
Other income – Government Grant	5	1,750,000	-
Cost of sales		(265,173)	-
Research and development expenses		(2,270,461)	(1,894,536)
Marketing and business development expenses		(1,260,954)	(729,247)
Corporate administration expenses	6	(2,584,273)	(1,486,446)
Share based payment expenses	15	(8,907,808)	(112,911)
Loss before income tax		**(12,392,659)**	**(3,262,418)**
Income tax benefit	7	-	-
Loss for the period attributable to Owners of PainChek Limited		**(12,392,659)**	**(3,262,418)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Exchange differences relating to translation of foreign operations		(13,622)	-
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive loss for the period		**(12,406,281)**	**(3,262,418)**
Loss and total comprehensive loss attributable to:			
Owners of PainChek Limited		**(12,406,281)**	**(3,262,418)**
Loss per share:			
Basic and diluted (cents per share)	8	(1.3)	(0.4)

Notes to the financial statements are included on pages 23 to 47.

Consolidated statement of financial position as at 30 June 2020

	Note	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Current assets			
Cash and cash equivalents	19	6,120,090	4,562,476
Trade and other receivables	9	77,599	171,169
Total current assets		**6,197,689**	**4,733,645**
Non-current assets			
Property, plant and equipment	10	17,952	15,716
Total non-current assets		**17,952**	**15,716**
Total assets		**6,215,641**	**4,749,361**
Current liabilities			
Trade and other payables	11	1,971,631	565,192
Provisions	12	115,553	63,247
Total current liabilities		**2,087,184**	**628,439**
Total liabilities		**2,087,184**	**628,439**
Net assets		**4,128,457**	**4,120,922**
Equity			
Issued capital	14	21,261,767	17,755,759
Reserves	15	12,095,111	3,200,925
Accumulated losses		(29,228,421)	(16,835,762)
Total equity		**4,128,457**	**4,120,922**

Notes to the financial statements are included on pages 23 to 47.

Consolidated statement of changes in equity for the year ended 30 June 2020

Company	Note	Issued capital $	Reserves $	Accumulated losses $	Total $
Consolidated					
Balance at 1 July 2018		**13,710,033**	**3,088,014**	**(13,573,344)**	**3,224,703**
Loss for the year		-	-	(3,262,418)	(3,262,418)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(3,262,418)	(3,262,418)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares (*refer to note 14*)		3,150,000	-	-	3,150,000
Issue of ordinary shares on conversion of options (*refer to note 14*)		1,064,500	-	-	1,064,500
Share issue costs (*refer to note 14*)		(168,774)	-	-	(168,774)
Recognition of share based payments (*refer to note 15*)		-	112,911	-	112,911
Balance at 30 June 2019		**17,755,759**	**3,200,925**	**(16,835,762)**	**4,120,922**
Consolidated					
Balance at 1 July 2019		**17,755,759**	**3,200,925**	**(16,835,762)**	**4,120,922**
Loss for the year				(12,392,659)	(12,392,659)
Other comprehensive income		-	(13,622)	-	(13,622)
Total comprehensive loss for the period		-	-	(12,392,659)	(12,406,281)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares (*refer to note 14*)		1,000,000	-	-	1,000,000
Issue of ordinary shares on conversion of options (*refer to note 14*)		2,561,705	-	-	2,561,705
Share issue costs (*refer to note 14*)		(55,697)	-	-	(55,697)
Recognition of share based payments (*refer to note 15*)		-	8,907,808	-	8,907,808
Balance at 30 June 2020		**21,261,767**	**12,095,111**	**(29,228,421)**	**4,128,457**

Notes to the financial statements are included on pages 23 to 47.

Consolidated statement of cash flows for the year ended 30 June 2020

	Note	Consolidated Year ended 30 June 2020 $	Consolidated Year ended 30 June 2019 $
Cash flows from operating activities			
Receipts from customers		374,164	98,546
Receipt from government grant		3,000,000	-
Payments to suppliers and employees		(6,149,850)	(4,005,322)
Interest received		40,162	86,622
Rebates and grants received		848,835	745,258
Net cash used in operating activities	19.1	**(1,886,689)**	**(3,074,896)**
Cash flows from investing activities			
Payments for property, plant and equipment		(45,561)	(14,501)
Net cash used in investing activities		**(45,561)**	**(14,501)**
Cash flows from financing activities			
Proceeds from issue of shares	14	3,561,705	4,214,500
(Payment) of share issue costs	14	(55,696)	(168,774)
Net cash (used in)/provided by financing activities		**3,506,009**	**4,045,726**
Net increase / (decrease) in cash and cash equivalents		**1,573,759**	**956,329**
Cash and cash equivalents at the beginning of the period		4,562,476	3,606,147
Effect of FX on cash balances		(16,145)	-
Cash and cash equivalents at the end of the period	19	**6,120,090**	**4,562,476**

Notes to the financial statements are included on pages 23 to 47.

Notes to the financial statements for the year ended 30 June 2020

1. Significant accounting policies

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

The financial report is presented in Australian dollars.

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

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

Statement of Compliance
The financial report was authorised for issue on 28 August 2020.

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

Standards and Interpretations on issue not yet adopted
There are no new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group.

Going concern basis
As disclosed in the financial statements, the consolidated entity has net operating cash outflows for the year of $1,886,689 (2019: $3,074,896) and as at 30 June 2020 has cash and cash equivalents of $6,120,090 (30 June 2019: $4,562,476). The consolidated entity also generated a loss after tax of $12,392,659 (2019: $3,262,418).The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. As such, the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful raisings in the future of necessary funding and the the successful commercialisation of its intellectual property in a manner that generates sufficient operating cash inflows.

On 11 August 2020 the Group completed a placement from professional and sophisticated investors and raised $10,000,000 before costs. Accordingly, existing cash reserves and the proceeds from the placement are considered to be adequate to fund the planned expenditure for at least 12 months from the date of this report.

Having carefully assessed the consolidated entity's forecasts and its ability to effectively manage expenditures and cash flows from operations, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future.

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

AASB 16 Leases 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 lease for its premises at suite 401, 35 Lime Street, Sydney NSW 2001 for $46,971 as disclosed in Note 6 where the practical experdient has been adopted. 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.

Significant accounting policies of the Company

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

Fair Values

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

(a) Principles of Consolidation

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

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

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

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

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

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

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

(b) Income Tax

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

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

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

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

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

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

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

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

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

(c) Impairment of non – financial Assets

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

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

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

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

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

(d) Share-based Payment Transactions

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

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

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

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

(g) Plant and equipment

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

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

Plant and equipment	Less than 5 years

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

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

(h) Trade and other payables

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

(i) Employee benefits

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

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

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

(j) Issued capital

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

(k) Earnings per share

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

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

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

(l) Revenue from Contracts with Customers and Government Grants

i) Software subscriptions

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

ii) Training

Revenue from the provision of training services is recognised typically at a point in time when the Company has provided training and has an enforceable right to payment for its performance completed to date.

iii) Software support (maintenance)

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

iv) Incremental Costs of obtaining Customer Contracts

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

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

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

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

vi) Unsatisfied performance obligations

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

vii) Financing components

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

viii) Government grants

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

(m) Comparative Figures

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

(n) Significant accounting judgements and key estimates

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

In preparing these statements, the key estimates made by management in applying the Company's accounting policies have been applied to the valuation of share-based payments, refer to note 15. In addition, the Group has formed a view of whether the hurdles of the Government Grant are reasonably assured of being met as detailed in notes 5 and 11.

2. Segment information

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

3. Revenue

	Consolidated 2020 $	Consolidated 2019 $
Subscription revenue – recognised over time	248,194	135,017
Interest income	48,981	80,444
Total Revenue	**297,175**	**215,461**

4. Other income

	Consolidated 2020 $	Consolidated 2019 $
ATO cash boost	50,000	-
Research & Development Rebates	798,835	745,258
Total Other Income	**848,835**	**745,258**

5. Other income – government grants

	Consolidated 2020 $	Consolidated 2019 $
Government grant	1,750,000	-
Total government grants	**1,750,000**	**-**

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.

During the year, the Group received $3,000,000 pursuant to the terms of the funding contract of which $1,750,000 has been recognised as income and the balance of $1,250,000 has been recognised as deferred income – see note 11.

6. Loss for the year

	Consolidated	Consolidated
Loss for the year has been arrived at after charging the following items of expenses:	**2020**	**2019**
	$	$
Corporate administration expenses		
Salaries & oncosts	725,651	379,570
Board fees	152,000	160,089
Company secretary fees	142,720	122,825
Consultants fees	439,608	140,208
Travel	185,840	138,155
Legal and professional fees	114,871	79,832
Regulatory	124,459	44,052
Share registry fees	54,862	23,990
ASX	105,935	78,968
Audit & tax	94,527	106,694
IT & telecommunications	106,631	63,449
Other administration expenses	337,169	148,614
	2,584,273	**1,486,446**

7. Income taxes relating to continuing operations

	Consolidated	Consolidated
7.1 Income tax recognised in profit or loss	**2020**	**2019**
	$	$
Current tax expense/(income)	(1,075,247)	(1,067,948)
Deferred tax expense/(income)	10,487	40,523
Tax losses not recognised	1,064,760	1,027,425
Total Tax expense/(income)	-	-

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

	Consolidated 2020 $	Consolidated 2019 $
Loss before tax from continuing operations	(12,392,659)	(3,262,418)
Income tax expense/(revenue) calculated at 27.5% (2019: 27.5%)	(3,407,982)	(897,165)
Effect of items that are not assessable/deductible in determining taxable loss:		
Non-deductible expenses	2,577,648	74,686
Non-assessable income	(234,427)	(204,946)
Effect of unused tax losses not recognised as deferred tax assets	1,064,761	1,027,425
	-	-

The tax rate used for the 2020 was 27.5% and 2019 was 27.5% to calculate the reconciliations above being the corporate tax rate payable by Australian corporate entities on taxable profits under Australian tax law in those years.

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

7.2 Income tax recognised directly in equity

	Consolidated 2020 $	Consolidated 2019 $
Current tax		
Share issue costs	(55,696)	(168,774)
Deferred tax		
Share issue costs deductible over 5 years	-	-
	(55,696)	**(168,774)**

7.3 Unrecognised deferred tax assets

	Consolidated 2020 $	Consolidated 2019 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised	3,523,109	2,963,360
Temporary differences	218,750	191,662

All unused tax losses were incurred by Australian entities.

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

8. Loss per share

	Consolidated 2020 $	Consolidated 2019 $
Basic and diluted loss per share (cents per share)	**(1.3)**	**(0.4)**

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

	Consolidated 2020 $	Consolidated 2019 $
Loss for the year attributable to the owners of the Company	**(12,392,659)**	**(3,262,418)**

	Consolidated 2020 No.	Consolidated 2019 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**989,161,514**	**838,403,530**

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

9. Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Other receivables	69,094	161,337
Prepayments	8,505	9,832
	77,599	**171,169**

At the reporting date, no receivables are past due.

10. Property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Carrying amounts of		
Computer Equipment – at cost	**21,036**	**15,716**

Cost	Consolidated 2020 $	Consolidated 2019 $
Balance at 1 July 2019	20,475	5,974
Additions	45,561	14,501
Disposals	-	-
Balance at 30 June 2020	**66,036**	**20,475**

Accumulated depreciation	Consolidated 2020 $	Consolidated 2019 $
Balance at 1 July 2019	4,759	1,590
Depreciation expense	43,325	3,169
Disposals	-	-
Balance at 30 June 2020	48,084	4,759
Net book value	**17,952**	**15,716**

11. Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade creditors	231,207	202,054
Deferred income	1,250,000	-
Contract liability	-	20,000
Accruals and other payables	490,424	343,138
	1,971,631	**565,192**

Trade creditor payment terms are 30 days from end of month.
Dererred income comprises the Federal Government Grant received in advance ($1,250,000) and the contract liability comprises client prepayment ($13,000).

12. Provisions

	Consolidated 2020 $	Company 2019 $
Provision for employee entitlements	115,553	63,247

13. Subsidiaries

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

14. Issued capital

	Consolidated 2020 $	Consolidated 2019 $
Fully paid Ordinary shares	**21,261,768**	**17,755,759**

	Consolidated 2020		Consolidated 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
Issued on conversion of options	121,967,121	2,561,704	47,300,000	1,064,500
Capital raising costs	-	(55,696)	-	(168,774)
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.

15. Reserves

	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of the reporting period	3,200,925	3,088,014
Variation of 90,198,155 Director option terms	8,117,834	-
Issue of 5,000,000 Employee options	14,433	30,466
Issue of 3,000,000 Employee options	25,060	59,478
Issue of 4,000,000 Employee options	146,442	22,967
Issue of 3,000,000 Employee options	334,668	-
Issue of 3,000,000 Employee options	24,167	-
Issue of performance rights to Directors	245,204	-
Foreign exchange	(13,622)	-
Total reserves at end of period	**12,095,111**	**3,200,925**

The purpose of this reserve is to recognise share-based payments and foreign exchange gains / losses on foreign operations.

Issued during the period:

Options	**Consolidated 2020 No.**	**Consolidated 2020 $**	**Consolidated 2019 No.**	**Consolidated 2019 $**
Balance at beginning of the reporting period	144,760,224	3,200,925	178,167,730	3,088,014
Issue of options to employees	6,000,000	544,771	4,000,000	112,911
Issue of free attaching options – capital raising	3,448,276	-	10,862,069	
Options expired	-	-	(969,575)	-
Variation of director vesting terms	-	8,117,834	-	-
Exercise of options	(121,967,121)	-	(47,300,000)	-
Balance at end of period	32,241,379	11,863,530	144,760,224	3,200,925

Performance rights	**Consolidated 2020 No.**	**Consolidated 2020 $**	**Consolidated 2019 No.**	**Consolidated 2019 $**
Balance at beginning of the reporting period	-	-	-	-
Issue of director performance rights	1,306,578	245,203	-	-
Balance at end of period	1,306,578	245,204	**-**	**-**

373,308 of these performance rights (2019: Nil) were exercised by Directors in July 2020.
933,270 of performance rights are unvested at 30 June 2020.

Foreign Exchange	Consolidated	
	30 June 2020 $	30 June 2019 $
Balance at beginning of the reporting period	-	-
Movement in period	(13,622)	-
Balance at end of period	**(13,622)**	**-**

15.1 Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2020		2019	
	Number of options No.	Weighted average exercise price $	Number of options No.	Weighted average exercise price $
Balance at beginning of the year	144,760,224	0.0454	178,167,730	0.0225
Granted during the year	9,448,276	$0.1928	14,862,069	0.1913
Forfeited during the year	-	-	-	-
Exercised during the year	(121,967,121)	0.0210	(47,300,000)	0.0225
Expired during the year	-	-	(969,575)	0.175
Balance at end of year	**32,241,379**	**0.1565**	**144,760,224**	**0.04**
Exercisable at end of year	**21,678,879**	**0.1791**	**106,131,672**	**0.0454**

Share options exercised during the year

121,967,121,share options were exercised during the year (2019: 47,300,000).

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $0.18 and a weighted average remaining contractual life of 888 days (2019: 291)

Options on Issue

As at 30 June 2020, the following options over new ordinary shares in the Company were on issue:

Option series	Type	Date of Expiry	Exercise Price	Number under Option
3	Unlisted Options	3 October 2021	$0.36	5,000,000
4	Unlisted Options	22 July 2022	$0.726	3,000,000
5	Unlisted Options	9 November 2023	$0.032	4,000,000
6	Unlisted Options	30 June 2022	$0.25	14,241,379
7	Unlisted Options	31 March 2024	$0.21	3,000,000
8	Unlisted Options	26 September 2024	$0.11	3,000,000

The following share-based payment arrangements were in existence during and prior reporting periods:

Option series	Number	Grant date	Total Value at Grant Date ($)	Recognised as expense to 30 June 2020 ($)	Exercise Price ($)	Expiry date	Vesting date
1	45,000,000	7 October 2016	522,000	-	0.025	7 October 2019	7 October 2016
2	90,198,155	23 November 2016	2,442,857	8,418,494	0.02	24 November 2019	Various
3	5,000,000	5 April 2017	138,925	135,422	0.036	3 October 2021	Various
4	3,000,000	22 January 2018	130,361	117,170	0.0726	22 July 2022	Various
5	4,000,000	9 May 2019	225,712	169,409	0.032	9 November 2023	Various
6	14,241,379	21 June 2019	Nil. Free attaching	Nil	0.25	30 June 2022	N/A
7	3,000,000	30 September 2019	678,621	334,668	0.21	31 March 2024	Various
8	3,000,000	26 March 2020	160,098	24,167	0.11	26 September 2024	Various

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:

Option series	Volatility	Risk free interest rate	Expected life of option (years)	Expected dividend yield	Exercise price	Underlying security price at grant date	Expiry date	Value per option (cents)
1	100%	1.54%	3.0	Nil	$0.025	$0.02	7/10/19	1.16c
2	100%	1.54%	3.0	Nil	$0.02	$0.037	24/11/19	2.71c
3	100%	1.95%	4.5	Nil	$0.036	$0.038	3/10/21	2.78c
4	100%	1.95%	4.5	Nil	$0.0726	$0.062	22/7/22	4.34c
5	100%	1.48%	4.5	Nil	$0.032	$0.069	9/11/23	5.64c
6	N/A	N/A	3.0	Nil	$0.25	$0.190	30/6/22	Nil
7	100%	1.48%	4.5	Nil	$0.21	$0.295	31/3/24	22.5c
8	100%	0.47%	4.5	Nil	$0.11	$0.08	26/9/24	5.3c

Option series:

1) Underwriter options

45,000,000 options were granted to the Underwriter pursuant to the Prospectus dated 25 August 2016.

2) Director options

90,198,155 options were granted to the Directors as approved by shareholders at the annual general meeting on 23 November 2016. The options issued to directors vested over three tranches as follows:

1. One third after one year of service.
2. One third after the Company makes an announcement that Regulatory Approval to enable commercial use of the PainChek App in Australia, the United States or Europe is received, or the Company has announced the execution of a binding licence agreement to licence the PainChek App to:
   a. one or more residential aged care facilities facility owners managing in total in excess of 150 beds; or
   b. one or more medical clinics which service in total in excess of 2,000 patients per year; or
   c. a metropolitan hospital with in excess of 200 beds;
   (each an "End User");
   d. or a global distribution partner with multiple End Users as existing customers.
3. One third upon the Company generating cumulative revenue of $1,000,000. Shareholders approved the variation of this vesting condition at the AGM held on 20 November 2019.

Director options – change of tranche 3 vesting conditions
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. The fair value was determined by reference to the share price as at the date of modification given the value of the option immediately pre modification was Nil.

3) Employee options
5,000,000 options were granted to an employee on 5 April 2017. 25 % of the options issued to the employees vest after 12 months employment and balance in quarterly instalments over the next 3 years, subject to continued full time employment (i.e. Fully vested after 4.5 years employment).

4) Employee options
3,000,000 options were granted to an employee on 22 January 2018. 25 % of the options issued to the employees vest after 12 months employment and balance in quarterly instalments over the next 3 years, subject to continued full time employment (i.e. Fully vested after 4.5 years employment).

5) Employee options
4,000,000 options were granted to employees on 9 May 2019. 25 % of the options issued to the employees vest after 12 months employment and balance in quarterly instalments over the next 3 years, subject to continued full time employment (i.e. Fully vested after 4.5 years employment).

6) Free attaching options to capital raising
14,310,345 options were free attaching options granted to applicants of the capital raising undertaken in June 2019. The options vested on issue .

7) Employee options
3,000,000 options were granted to an employee on 30 September 2019. 25 % of the options issued to the employees vest after 12 months employment and balance in quarterly instalments over the next 3 years, subject to continued full time employment (i.e. Fully vested after 4.5 years employment).

8) Employee options
3,000,000 options were granted to an employee on 26 March 2020. 25 % of the options issued to the employees vest after 12 months employment and balance in quarterly instalments over the next 3 years, subject to continued full time employment (i.e. Fully vested after 4.5 years employment).

15.2 Performance Rights

At the 2019 Annual general meeting,shareholders approved the issue of performance rights to the non-executive directors and the CEO as set out below. There were nil performance rights granted in FY19.

Granted to	Date granted	Expiry date	Issue price of shares	Value of rights approved at AGM	No.of erformance rights under plan	Amount recognised as expense ($)
Non exective directors	20/11/2019	30/09/2020	$0.29	$108,259	373,308^	$78,258
Non exective directors	20/11/2019	30/09/2021	$0.29	$78,928	*	$39,129
Non exective directors	20/11/2019	30/09/2022	$0.29	$78,302	*	$39,129
CEO	20/11/2019	01/01/2022	$0.29	$92,833	466,635^^	$30,399
CEO	20/11/2019	01/01/2023	$0.29	$92,779	466,635^^	$19,780
CEO	20/11/2019	01/01/2023	$0.29	$58,904	*	$12,558
CEO	20/11/2019	01/01/2024	$0.29	$59,421	*	$9,391
CEO	20/11/2019	01/01/2024	$0.29	$60,300	*	$9,530
CEO	20/11/2019	01/01/2025	$0.29	$56,014	*	$7,029
					1,306,578	$245,203

*Number of rights for FY2021 and FY2022 to be determined at future date, equivalent to value of rights approved at the AGM divided by the volume weighted average price (VWAP) of PainChek Ltd shares, calculated 5 days either side of and including the date of announcement of the Company's annual statutory results for the financial year preceding the the financial year of the Award.
^373,308 of these performance rights (2019: Nil) were exercised by Directors in July 2020.
^^ 933,270 of performance rights is unvested at 30 June 2020.

Non- exective directors terms of performance rights:

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

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

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

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

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

373,308 of these performance rights (2019: Nil) were exercised by Directors in July 2020.

CEO *terms of performance rights*

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

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

Vesting of the Performance Rights is conditional on the following:

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

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

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

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

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

The following table shows the calculation of the Performance Rights to be issued as part of Philip Daffas' remuneration for holding office during FY20 and vesting on 1 October 2021 and 1 October 2022, if Philip Daffas remains in office and the relevant Award Target Price is achieved on the relevant vesting date:

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

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

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

16. Financial instruments

16.1 Capital management

The Group manages its capital to ensure entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

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

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

16.2 Categories of financial instruments

	Consolidated 2020 $	Consolidated 2019 $
Financial assets		
Cash and cash equivalents	6,120,090	4,562,476
Trade and other receivables	77,599	163,410
	6,197,689	**4,725,886**
Financial liabilities		
Trade and other payables	721,631	545,193
	721,631	**545,193**

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

16.3 *Financial risk management objectives*

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

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

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

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

16.4 *Market risk*

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 15.5 below).

16.5 *Interest rate risk management*

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

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2020 would increase/decrease by $61,000 (2019: $45,000).

16.6 *Credit risk management*

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

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

16.7 *Liquidity risk management*

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

Contractual cash flows

	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2020						
Trade and other payables	721,631	721,631	-	-	-	**721,631**
2019						
Trade and other payables	545,193	545,193	-	-	-	**545,193**

17. Key management personnel

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

	Consolidated 2020	Consolidated 2019
	$	$
Short-term employee benefits	603,399	626,923
Post-employment benefits	34,891	33,402
Share-based payments	8,363,038	-
	9,001,328	**660,325**

18. Related party transactions

18.1 Entities under the control of the Group

	Country of Incorporation	Perecentage Owned (%)* 2020	2019
Parent Entity: PainChek Ltd	Australia		
Electronic Pain Assessment Technology (EPAT) Pty Ltd	Australia	100%	100%
PainChek UK Limited	England	100%	-

*Percentage of voting power is proportional to ownership

18.2 *Key management personnel*

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

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

18.3 *Other related party transactions*

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

19. Cash and cash equivalents

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

	Consolidated 2020 $	Consolidated 2019 $
Cash and bank balances	6,120,090	4,562,476

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

	Consolidated 2020 $	Consolidated 2019 $
Cash flow from operating activities		
Loss for the year	(12,392,659)	(3,262,418)
Adjustments for:		
Depreciation	43,026	3,169
Share based payments	8,907,808	112,911
Movements in working capital		
(Increase)/decrease in other receivables	92,283	(105,251)
(Increase)/decrease in prepayments	1,288	(3,820)
Increase/(decrease) in trade and other payables	1,409,261	149,280
Increase in provisions	52,306	31,233
Net cash outflows from operating activities	**(1,886,689)**	**(3,074,896)**

20. Commitments and contingencies

As per the Research Services Agreement with Curtin University of Technology, amended and dated 9 April 2020, the Company has agreed to Fees, payable in equal monthly instalments in accordance with a payment schedule. The remaining commitment is $186,190 is due in less than 12 months.

21. Remuneration of auditors

Auditor of the parent entity

	Consolidated 2020 $	Consolidated 2019 $
Audit and review of the financial statements	54,129	36,870
Other non-audit services	-	-
	54,129	**36,870**

The auditors of PainChek Ltd are BDO Audit Pty Ltd.

22. Events after the reporting period

On 11 August 2020, the group announced a capital raising of $10,000,000 (before costs) by way a placement of 90,909 091 fully paid ordinary shares at $0.11 per share. The funds were received and the shares allotted on 17 August 2020. Otherwise, no matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23. Parent entity information

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

Financial position of PainChek Limited

	2020 $	2019 $
Assets		
Current assets	5,914,148	4,584,663
Non-current assets	-	15,716
Total assets	**5,914,148**	**4,600,3779**
Liabilities		
Current liabilities	1,689,885	352,059
Provisions	95,807	63,247
Non-current liabilities	-	-
Total liabilities	1,785,692	415,306
Net assets	**4,128,457**	**4,185,073**
Equity		
Issued capital	30,016,473	26,510,464
Reserves	12,147,745	3,239,937
Accumulated losses	(38,035,761)	(25,565,328)
Total equity	**4,128,457**	**4,185,073**
Financial performance		
Loss for the year	**(12,470,433)**	**(1,439,092)**

24. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 28 August 2020.

DIRECTORS DECLARATION

1. The Directors of the Company declare that:

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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

John Murray
Chairman
28 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of PainChek Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PainChek Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

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Recognition of Revenue & Other Income

Key audit matter	*How the matter was addressed in our audit*
Refer to Notes 3, 5, 11 and Note 1(l) of the financial report. Recognition of Revenue and Other Income was identified as a key audit matter due to the significance to the financial report and the complex nature of the agreements entered into by the Group during the year. • 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 and subsequently in December 2019, the Australian Government signed a grant funding contract (total amounting to $5 million) with the Group for the national trial of the PainChek application.	Our audit procedures included, amongst others: • Reviewing the terms and conditions of the agreements to determine the relevant accounting standard to be applied to the various revenue and income streams. • Assessing the accounting policy adopted for recognition of revenue and other income and assessing compliance with AASB 15 *Revenue from Contracts with Customers* or AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. • For a sample of transactions, vouching to supporting documentation such as invoices and receipts and assessing compliance against the accounting policy adopted including the recognition of any contract liability or deferred income. • Assessing the adequacy of the Group's disclosures within the financial statements.

Accounting for share-based payments

Key audit matter	*How the matter was addressed in our audit*
Refer to Notes 15.1, 15.2 and Note 1(d) of the financial report. Share based payments is a key audit matter as the accounting can be complex and requires judgement and the use of assumptions regarding their recognition and measurement.	Our audit procedures included, amongst others: • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payments. • Considering the accounting requirements for modifications of existing share based payments under AASB 2 *Share Based Payments*. • Reviewing the valuation methodology adopted in valuing the incremental cost for the modification of existing share based payments. • Testing management's methodology for calculating the fair value of the performance rights including assessing the valuation inputs using internal specialists where required. • Assessing the allocation of the share-based payment expense over management's expected vesting period. • Reviewing the disclosures to ensure they reflected both the valuation of and the accounting for the share based payments.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of PainChek Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 28 August 2020