**Advanced Health Intelligence Ltd**
**(Formerly known as Advanced Human Imaging Ltd)**
**Appendix 4E**
**Preliminary final report**



## 1. Company details

| | |
|---|---|
| Name of entity: | Advanced Health Intelligence Ltd |
| ACN: | 602 111 115 |
| Reporting period: | For the year ended 30 June 2023 |
| Previous period: | For the year ended 30 June 2022 |

## 2. Results for announcement to the market

| Financial Results | Result 30 June 2023 $ | Result 30 June 2022 $ | Increase / (Decrease) $ | Increase / (Decrease) % |
|---|---|---|---|---|
| Revenues from ordinary activities | 904,089 | 352,464 | 551,625 | 156.50% |
| Loss from ordinary activities after tax attributable to members | (13,303,715) | (20,076,843) | (6,773,128) | (33.70%) |
| Net loss for the period attributable to members | (13,303,715) | (20,076,843) | (6,773,128) | (33.70%) |

*Dividends*
There were no dividends paid, recommended or declared during the current financial period.

*Comments*
The loss for the consolidated entity after providing for income tax amounted to $13,303,715 (30 June 2022: $20,076,843).

Refer to the commentary in the attached Comments on the Financial Results.

## 3. Net tangible assets

| **Net Tangible Asset Backing** | **Reporting period Cents** | **Previous period Cents** |
|---|---|---|
| Net tangible assets per ordinary security | (1.050) | 0.036 |

The net tangible asset backing per security of (1.050) cents presented above is inclusive of right of use assets and liabilities. The net tangible asset per security at 30 June 2023 would decrease to (1.215) cents (2022: 4.526 cents) if right of use assets were excluded and lease liabilities were included in the calculation.

## 4. Control gained over entities

| | |
|---|---|
| Name of entities (or group of entities) | Vertica Health Pty Ltd<br>Wellteq Digital Health Inc group of entities |
| Date control gained | Vertica - 5 August 2022<br>Wellteq - 6 December 2022 |

Details of the contribution of these entities to the Group can be found in Note 4 to the Preliminary Final Report.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

*Current period*
There were no dividends paid, recommended or declared during the current financial period.

*Previous period*
There were no dividends paid, recommended or declared during the previous financial period.

## 7. Dividend reinvestment plans

Not applicable.

## 8. Details of associates and joint venture entities

The company has a 50% holding in the Joint Venture entity Body Composition Technologies Pte Limited, a company incorporated in Singapore.

As at 30 June 2023, the investment was fully impaired as a result of losses being incurred by the Joint Venture.

## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

## 10. Audit opinion

*Details of audit/review dispute or qualification (if any):*

The attached Preliminary Final Report for the year ended 30 June 2023, which forms part of this Appendix 4E, is anticipated that in the independent audit report will include an Emphasis of Matter for estimation uncertainty in the preparation of the financial report and a separate section under the heading Material Uncertainty Relating to Going Concern. We anticipate that the auditor's opinion will not be modified.

## 11. Financial report

*Details of attachments (if any):*

The following financial report included in this Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating, financing and investing activities of the consolidated entity as the full financial report. The financial report should be read in conjunction with any public announcements made by Advanced Health Intelligence Ltd in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The accounting policies applied are the same as those noted in the most recent interim financial report and the previous annual report.

## 12. Signed

Approved ______________________________ Date: 31 August 2023

Nicholas Prosser
Interim Non-Executive Chairman

Advanced Health Intelligence Ltd
ACN 602 111 115
(Formerly Advanced Human Imaging Ltd)

# Preliminary Final Report

(Unaudited)
For the Year ended 30 June, 2023

## Comments on the Financial Results

The Directors present this Preliminary Final Report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Advanced Health Intelligence Ltd (formerly known as Advanced Human Imaging Ltd and referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## Principal activities

Advanced Health Intelligence Ltd (ASX: AHI NASDAQ: AHI) is committed to becoming a global leader in digital health, harnessing its proprietary technology and innovative processes to redefine health screening. Leveraging the ubiquity and convenience of smartphones, AHI aims to deliver a comprehensive suite of assessment tools to healthcare providers, caregivers, insurers, and governments around the world.

Our mission is to improve healthcare outcomes, enhance health literacy, and support the early detection and management of various health conditions.

Since inception in 2014, AHI has been at the forefront of Health-tech innovation, starting with the world's first on-device body dimensioning capability. Our patented technology has evolved into a robust suite of solutions that symbolize the future of digitized healthcare.

AHI's key offerings include:

- Body dimension and composition assessments enabling the identification of obesity-related comorbidities such as diabetes;
- Blood biomarker prediction, inclusive of HbA1C, HDL, LDL, and 10-year mortality risk;
- Transdermal Optical Imaging, providing vital signs and cardiovascular disease risk estimates;
- On-device dermatological skin identification, capable of recognizing 588 skin conditions across 133 categories, including Melanoma; and
- Assisting partners in delivering personalised therapeutic and non-therapeutic health coaching to improve daily habits and build health literacy. At the heart of AHI is our world-class team comprising machine learning and AI experts, computer vision specialists, and medically trained data scientists. Their collective expertise ensures AHI remains at the cutting edge of health-tech innovation, tailoring our technology to meet the evolving needs of our consumers.

AHI's vision extends beyond individual health assessments. We aspire to create a transformative impact at scale, driving forward a new era in digital healthcare. Our biometrically derived triage solution, accessible via a smartphone, enables our partners to identify and manage health risks at a population scale.

In the pursuit of proactive health management, AHI stands ready to guide healthcare providers, caregivers, insurers, and governments in triaging individuals into the most suitable care pathways. Through technology, AHI is contributing to a more efficient, effective, and inclusive global healthcare system.

AHI have meticulously developed and patented a cutting-edge mobile phone-based technology This proprietary imaging and sensor set capability is designed with a specific focus on the identification and assessment of known risk markers related to chronic diseases. Using only a smartphone, users can privately check, track, and accurately evaluate their body dimensions and potential health risks associated with chronic conditions

Our global partners, who span sectors such as mobile health ("mHealth"), Telehealth, Wellness, Life and Health Insurance, and Governments utilize our technology through our proprietary SDKs. These partners have extensive audiences, and individual users ("User(s)") can access our innovative technology components embedded within the partners' software programs and apps. The AHI biometric health assessment used to identify chronic disease risk is a vital tool in modern health management.

AHI has pioneered the development of the Biometric Health Assessment (BHA), a transformative digital tool designed to revolutionize patient care by focusing on the early identification and intervention of chronic disease risk. Grounded in decades of medical and scientific research, the BHA leverages a proprietary combination of multiple sensor sets integrated within the smartphone interface, offering a comprehensive and holistic approach to health assessment.

This innovation minimizes human error and provides accurate, low-cost, and reliable data accessible to the majority of the world's smartphone users. By capturing and analysing a wide array of biometric data, including vital signs, body fat percentages, and estimated blood lipid profiles, healthcare professionals can detect early warning signs of chronic diseases such as cardiovascular conditions, diabetes, respiratory disorders, and mental health disorders.

The importance of early identification cannot be overstated. It promotes timely interventions like lifestyle modifications, targeted treatments, and preventive measures, significantly slowing the progression of chronic diseases. This proactive approach not only enhances individual health outcomes but also results in substantial cost savings for both private and public payors of healthcare, potentially saving billions of dollars in healthcare costs.

AHI's commitment to augmenting healthcare is evident in our technology's design, which aims to work in harmony with existing care providers and systems. Our technology does not seek to replace medical practitioners but rather empowers them with accurate and comprehensive data, enabling more informed decisions and personalized care. The integration of our sensor sets within the mobile phone interface allows for seamless health assessing, screening, and monitoring, enhancing the capabilities of healthcare professionals rather than replacing them.

Recent technology advances have provided opportunities for complex mathematical problems to be solved directly on a User's smartphone, rather than limiting that computation to the Cloud. Modern devices produced by companies such as Apple, Samsung and Google now have AI-focused chipsets utilizing platforms such as CoreML and Tensorflow to process data at lightning speeds. We see the opportunity to harness these ongoing technology improvements to lower latency, increase security and privacy, improve reliability and reduce operational costs of our core services. Our overarching technology strategy has been to take advantage of this hardware-accelerated performance, specifically by utilizing on-device general purpose Graphic Processing Units ("GPU") found on today's modern devices.

In Cloud-based systems, data transfer/retention is a potential impediment. Data must be sent to, and then processed in, the Cloud, thus adding additional latency and disclosure risk to the overall process. On-device computing eliminates the necessity of a roundtrip to the Cloud and permits near zero-latency. This process greatly improves User experience and allows for near real-time interaction with the service. Running directly on-device additionally negates the side-effects of Cloud-based interference. In areas where connectivity is sub-optimal, such as rural areas, having analytic models on-device means that processing results can be generated locally, quickly and securely.

As sensitive data does not need to be sent or maintained in the Cloud, there are fewer opportunities to exploit any potential vulnerabilities, thereby providing increased security and privacy for Users. This security is critically important in a world where data sovereignty, residency, and retention are a major concern for Users and under increased protective global legislation.

By focusing on leveraging the estimated 3.7 billion devices capable of running AI inference and analysis on-device, we are able to slash the costs associated with Cloud-based analytics and inference, bandwidth and retention/storage concerns. As our user base scales, implementing machine learning on-device will mitigate the expense of expertise and time needed to implement and maintain a Cloud-based solution.

AHI believes that its technology is unique and has been independently validated for accuracy and repeatability by doctors and professors from leading universities and research organizations around the world, including Professor Timothy Ackland PhD, Professor of Applied Anatomy and Biomechanics, The University of Western Australia, Dr. Erwin Christianto MD MSc, Physician & Clinical Nutrition Specialist, Eka Hospital Pekanbaru Indonesia, and Dr. Alisa Nana PHD, Sports Science and Technology Mahidol University Thailand.

With the increased requirement of medical surveillance and remote healthcare services due to the COVID-19 pandemic, we have strategically acquired, partnered and invested into the expansion of our information capturing capabilities with the addition of vital signs data (*FaceScan*) using transdermal optical imaging ("TOI") allowing AHI to develop a *Health Risk Assessment Report* which provides an expanded risk assessment to individuals via our technology partners through the Vertica acquisition. Vertica has created some scientifically validated algorithmic assets that leverage smartphone sensor data, obtainable in conjunction with AHI's *BodyScan* and *FaceScan*, to produce a range of additional measures related to human mortality and morbidity risk. By leveraging Vertica's clinical and scientific experience, Vertica has integrated a multitude of prominent international peer-reviewed research publications towards causally understanding and modelling human lipid metabolism and metabolic syndrome progression. These measures include, digital blood lipid biomarkers (Total Cholesterol, LDL Cholesterol, HDL-C Cholesterol, and triglyceride levels), inflammation biomarker, C-reactive protein, visceral adiposity index (VAI), lipid accumulation product (LAP), cardiorespiratory fitness, fasting blood glucose, an estimated number of metabolic syndrome components present in the individual, brachial-ankle pulse wave velocity (which is a measure of cumulative damage of the circulatory system), and 10-year cardiovascular disease risk.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to $13,303,715 (30 June 2022: $20,076,843).

Before non-cash and one-off expenditure, the consolidated entity's adjusted net loss for the year was $10,225,001 (2022: $7,192,840).

The non-IFRS reconciliation described in Table 1 below, is intended to supplement the consolidated entity's IFRS financial information by providing additional insight regarding results of operations of the consolidated entity. The adjusted total net loss for the year is intended to provide an enhanced understanding of the underlying operational measures used to manage the Company's business, to evaluate performance compared to prior periods and the marketplace, and to establish operational goals. Adjusted total net loss should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS.

| **Table 1:** | **Consolidated**<br>**30 June 2023**<br>**$** | <br>**30 June 2022**<br>**$** |
|---|---|---|
| Total comprehensive loss for the year | (13,303,715) | (20,076,843) |
| **Share-based non-cash payments adjusted for:** | - | - |
| Directors and employees remuneration | 677,500 | 7,452,583 |
| Corporate advisory services | 117,600 | 473,638 |
| Investor relations | - | 506,000 |
| | (12,508,615) | (11,644,622) |
| | | |
| **Other significant items:** | | |
| Fair value adjustment of investments in various entities (Note 8) | 2,283,614 | 1,524,752 |
| NASDAQ and insurance related costs [1] | - | 2,927,030 |
| | 2,283,614 | 4,451,782 |
| | | |
| **Adjusted total net loss for the period before one-off and non-cash items** | (10,225,001) | (7,192,840) |

[1] NASDAQ and insurance related costs have been included in this table as they represent the new additional costs that were incurred in the reporting period to achieve the dual listing of the Company on the NASDAQ securities exchange. NASDAQ costs are expected to reduce significantly in future years now the company has achieved its dual listing.

Cash assets at the end of the financial period were $2,104,584 (2022: $6,011,368).

## Operating activities

During the financial year the consolidated entity progressed the development and commercialisation of its technology with the following highlights:

### *Revenue*

The consolidated entity generated operating revenue of $649,697 compared to $197,209 for the year ended 30 June 2023, an increase of 229.4%. Revenue from software services increased 3,635.6% on the prior comparative period from $14,524 to $542,556.

### *Capital Raising*

On 13 June 2023, AHI announced that it had agreed to issue Orca Capital GMBH, an offshore institutional investor, 20,000,000 fully paid ordinary shares, raising A$5,000,000 at $0.25 cents a share.

AHI will use the net proceeds received from this offering primarily for the Company's current products and business development and marketing, with the remainder of the proceeds to be used for general corporate purposes, including, without limitation, investing in or acquiring companies that are synergistic with or complimentary to our technologies and working capital.

The offering represents a 194% increase to the last traded price on Friday, 9 June 2023, close on ASX was $0.085, before costs.

## *Strategic Investments / Acquisitions*

### *Wellteq Acquisition*

On 2 September 2022, AHI entered into a definitive arrangement agreement (the "Arrangement Agreement") with Wellteq Digital Health Inc. (CSE: WTEQ) (OTCQB: WTEQF), ("Wellteq"), whereby AHI would acquire all of the outstanding shares of Wellteq in an all-share acquisition (the "Transaction"). Pursuant to the terms of the Arrangement Agreement, Wellteq shareholders will receive one (1) ordinary share of AHI (an "AHI Share") for every six (6) Wellteq common shares (a "Wellteq Share") held (or 0.1667 AHI Shares for every 1 Wellteq Share). AHI issued a total of 17,804,587 AHI shares in total consideration for 100% of Wellteq's shares.

Pursuant to the terms of the Arrangement Agreement, AHI acquired 100% of the outstanding Wellteq Shares by way of a plan of Arrangement (the "Arrangement") under the Business Corporations Act (British Columbia). On 24 November 2022, a special meeting of Wellteq shareholders voted 100% of the votes cast to approve the Arrangement. Following this over whelming vote of Wellteq shareholders, on 30 November 2022, the Supreme Court of British Columbia, Canada, approved the Transaction.

The Wellteq Arrangement was completed on 6 December 2022. On the same day, the Company issued 17,804,587 ordinary shares in favour of Wellteq shareholders, as consideration shares valued at $1,673,631.

Details of the contribution to the reporting entities profit and profit of Wellteq for the current period and whole of the previous income year can be found at Note 4.

### *Vertica Acquisition*

On 5 August 2022, the Company concluded a Share Sale Agreement to acquire all the shares in South African registered Venica Health (Pty) Ltd ("Vertica").

The consideration paid and payable by AHI for the Vertica acquisition comprised:

- US$100,000 payable on closing;
- US$250,000 payable 1 year from closing; and
- US$250,000 payable 2 years from closing.

The projected increase in consolidated total assets due to the Vertica acquisition is equal to the value of the consideration paid / payable to acquire Vertica, comprising US$100,000 in cash on closing (offset by a corresponding reduction in AHI's existing cash to pay this amount), US$500,000 in deferred cash consideration and 1,500,000 AHI shares (subject to 24 months voluntary escrow) valued at the market price at the time of the transaction of $0.12 per share.

Details of the contribution to the reporting entities profit and profit of Wellteq for the current period and whole of the previous income year can be found at Note 4.

Following the acquisition of both the Wellteq and Vertica businesses, AHI has spent the last 6 months integrating its global workforce and processes to align the company with its growth strategy, and consolidating costs and suppliers to minimise waste. These efforts will continue into the 2024 financial year.

## *Product Development*

### *Biometric Health Assessment*

The Company has pioneered the development of the Biometric Health Assessment (BHA), a transformative digital tool designed to revolutionize patient care by focusing on the early identification and intervention of chronic disease risk. Grounded in decades of medical and scientific research, the BHA leverages a proprietary combination of multiple sensor sets integrated within the smartphone interface, offering a comprehensive and holistic approach to health assessment.

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AHI's commitment to augmenting healthcare is evident in our technology's design, which aims to work in harmony with existing care providers and systems. Our technology does not seek to replace medical practitioners but rather empowers them with accurate and comprehensive data, enabling more informed decisions and personalized care. The integration of our sensor sets within the mobile phone interface allows for seamless health assessing, screening, and monitoring, enhancing the capabilities of healthcare professionals rather than replacing them.

**What is a Biometric Health Assessment, and how does it work?**

A Biometric Health Assessment (BHA) is an innovative process developed by Advanced Health Intelligence, leveraging smartphone capabilities to evaluate an individual's health. As the methodology and data convergence used by developed by AHI is proprietary, AHI cannot share exact metrics used however, the broad process is as follows.

(1) Face Scan: The process begins with facial scans, aiming to determine the probability of an individual's blood pressure risk zones. Alongside this, the BHA gathers data like demographic information, family history of diseases, daily activity intensity, chronic medication usage, and smoking status.
(2) Using a Photoplethysmogram or PPG, Resting Heart Rate Measurement: In this stage, the user's resting heart rate is captured while in a supine position, helping in evaluating the baseline heart health.
(3) Using BodyScan: Body Composition Analysis: The smartphone conducts a body scan during this phase, measuring aspects like body fat percentage, waist and hip circumference. These measurements give an understanding of the individual's body composition.
(4) Cardiovascular Fitness Evaluation: This step involves a three-minute step test, followed by a heart rate measurement using the smartphone. It helps in assessing cardiovascular fitness levels.
(5) Comprehensive Analysis and Assessment: After the data collection, a complete evaluation is performed, offering estimates on various health metrics such as cholesterol levels, HbA1c, CRP, fitness-based risks, and more. This information is backed by peer-reviewed scientific publications and real-world testing, making it highly credible

The BHA is a multi-step process that employs facial scanning, heart rate measurements, body composition analysis, and cardiovascular fitness tests. It offers an in-depth and scientifically grounded view of an individual's health status through complex algorithms supported by extensive testing and research. It's an exciting integration of technology with healthcare, offering accessible and personalised insights right from a smartphone.

*DermaScan*

AHI has also further expanded into a dermatological AI platform which provides information to identify and assess 588 known skin conditions across 133 categories (*DermaScan*). *DermaScan* is a software application using artificial intelligence to perform patient-specific analyses of skin conditions. *DermaScan* is intended to be used as a second opinion tool for healthcare professionals to support the diagnosis of skin conditions but does not provide a definitive diagnosis. A definitive diagnosis should only be performed in a healthcare professional's environment with the patient present. User error can potentially lead to limitations of the product, as *DermaScan* requires good quality images of the skin condition the user is analyzing, as well as a series of questions to be answered specific to the User and the skin condition in question. It is important the User provides images of good quality and accurately provides information as prompted to do so. Accuracy of services will vary depending on the quality of image presented as well as the quality of this information provided.

***FDA Submissions Underway***

AHI has made an initial submission to the FDA by section 513(g), The purpose of a Section 513(g) submission is to obtain clarification on the regulatory pathway for a medical device. This will provide AHI with the appropriate guidance from the FDA before submitting a formal application. The FDA is currently reviewing the request and AHI is awaiting written feedback.

The current submission is seeking categorisation of the AHI BodyScan to be specifically used in the identification and tracking of obesity. AHI's long-term strategy is to seek FDA approval for the BHA under a 510K software as a medical device category. The Stellenbosch study will provide valuable data that will form part of these submissions.

### *NASDAQ cures listing price deficiency, now in compliance*

On 26 June 2023 AHI informed shareholders that the Company had received a determination letter from Nasdaq stating that the Company has not regained compliance with the Nasdaq Rules.

The Company took the necessary steps to immediately effect a ratio change of the ADSs to its non-traded ordinary shares from the current ratio of one (1) ADS representing seven (7) ordinary shares to a new ratio which will have the same effect as a reverse split of the existing ADSs.

On 30 June 2023, AHI announced that its planned ratio change of the Company's American Depositary Shares (ADSs) to its non-traded ordinary shares from the previous ratio of one (1) ADS representing seven (7) ordinary shares to the new ratio of one (1) ADS representing twenty-eight (28) ordinary shares shall become effective on 30 June 2023. The ratio change has the same effect as a reverse split of the existing ADSs of 1 new ADS for every 4 old ADSs. The effective date for the ratio change is 29 June 2023, and the Company's ADSs continued to trade on the Nasdaq Capital Market ("Nasdaq") under the symbol "AHI" with a new CUSIP Number 00777C 203.

On 14 July 2023, the Company advised the market that as the Company's ratio change has taken effect, the ADSs have traded well above the USD $1.00 for more than ten consecutive business days, Nasdaq staff wrote to the Company advising that its non-compliance had now been cured and the Company was now in full compliance with the Nasdaq listing rules.

### Company Overview

AHI, with the Board's support, continued to grow its partner base and expand its IP footprint and technology offering throughout 2022/23, along with acquisitions and team expansion. AHI completed two acquisitions in H1 FY23, seeing the company address a far broader global need using its cornerstone IP as the foundation to drive risk identification and better health outcomes at population scale around the world. With the platform expansion, AHI received shareholder approval that saw the company change its name from Advanced Human Imaging Ltd to Advanced Health Intelligence Ltd. The change in name was sought to provide a more appropriate description of the company's technology.

AHI has a deep understanding of the complexities of health and care systems, and the global appetite for convergence and interoperability of systems and the data they need to share, which is not only required by but needed to reduce cost, scale care, and remotely deliver for the overloaded health and care providers around the world.

AHI is dedicated to using on-device data assessment capabilities to drive better patient outcomes. The integrated platform combines disparate data sources including user derived data, with its unique technology to provide a complete view of an individual's health.

AHI delivers its technology through proprietary artificial intelligence on-device, image processing, cloud, and machine learning. AHI is able to extract valuable insights from the capture sequence and data on an individualised basis, enabling insurers, health, and care providers to make more informed decisions when providing care. AHI's commitment to collaboration and partnership with governments, insurers and healthcare providers will enable them to be at the forefront of the rapidly evolving field of Digital Health convergence.

### AHI expanded leadership team

With the expansion of the team through the Wellteq and Vertica acquisitions, AHI has expanded internal expertise across technology, science, medical and design. The expanded team, now broken into team objectives, sees the following industry leaders drive the success of the business units and AHI's unwavering commitment to its shareholders. These positions are in addition to Founder and Head of Strategy, Mr Vlado Bosanac and Company Secretary & CFO Mr Simon Durack.

**Ms Jacqueline Yee**. Ms Yee is the former Wellteq Chair of the Finance and Audit committee and joins AHI's Board of Directors as an independent non-executive Director. Ms Yee has an impressive background having spent over 30 years as an institutional finance professional out of New York, London, Amsterdam, Australia and currently resides in Singapore. Throughout her career to date, Ms Yee has been involved in over $25 billion in transaction value with a notable volume of work in the healthcare sector, including restructuring of 27 national hospitals and the drafting of Healthcare Investment Valuation Policy in New Zealand.

**CEO, Mr Scott Montgomery.** Mr. Montgomery brings two decades of health and care experience to the consolidated entity. Mr. Montgomery has navigated the world of publicly listed companies in Canada. He has over 20 years of experience in enterprise healthcare around the world, with 15 of those as a founder or director of public and private companies. Mr. Montgomery successfully exited two previous Health companies he has co-built and is a welcome addition to the AHI team.

**Mr Dylan Garnett.** Mr Garnett is AHI's newly appointed Chief Innovation Officer and brings 25 years of corporate experience in health, technology, and insurance. As the former COO of Zurich Insurance (SA), former CEO of Metropolitan Health Group (SA)., and Co-Founder of Vertica Health. Mr. Garnett is well versed in technology and the problems the health, insurance and care sector need solved. Mr. Garnett brings skills across, corporate, business, execution, and delivery on a global scale to AHI.

**Mr Riaan Conradie.** Mr Conradie is AHI's newly appointed Chief Science officer and was a founder of LifeQ, Vertica Health and HealthQ. Mr. Conradie combines various fields, including biology, electronics, mechanics, mathematics, physics, and computer science, to provide out-of-the-box solutions for cutting-edge technologies in global care, wellness, weight loss and fitness. Mr. Conradie's pragmatic approach to rapid testing and development cycles to evaluate and industrialise technology will be a welcome skill to the team as we execute and deliver market-ready digital care under the newly expanded AHI.

**Dr Manie de Klerk.** Dr de Klerk is the newly appointed Clinical Director at AHI. Mr de Klerk brings decades of experience in medicine, healthcare, and technology. He is well versed in technology, life sciences and global processes required when organisations such as AHI seek medical approvals throughout the globe such as FDA, TGA or CE. Furthermore, Mr de Klerk's clinical trialling expertise will see AHI expand its offering to multiple new business opportunities.

## Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year
### *AHI Signs Exclusive License with Changlin Network Technology Ltd*

On August 4, 2023, Advanced Health Intelligence informed shareholders that the Company has executed a binding exclusive, perpetual license with Shanghai-based Changlin Network Technology Ltd ("Changlin").

Shanghai-based Changlin Network Technology and Advanced Health Intelligence have worked together over the past 90 days, collaborating on the terms and commercial aspects of the exclusive license for The Peoples Republic of China. Today, we are pleased to inform shareholders of the conclusion and signing of the license between the groups.

Changlin was initially founded in 2019 by Cecilia Qiao and Russell Bateman, collectively bringing over 50 years' experience in the health insurance sector spanning the globe and particularly mainland China. Using the "China 2030 health initiative" as its cornerstone, Changlin was established as a specific vehicle to implement transformational technologies. Now, Changlin will direct its resources to commercialise and bring AHI's innovative, scalable digital healthcare solutions to the People's Republic of China at scale. This creates the foundation of rapid growth and reflects its mission to transform the country's healthcare landscape through the power of advanced digital technology.

Changlin identified AHI's innovative technology in 2019 when attending a demonstration by AHI with China's 3rd largest Insurance company, China Pacific Insurance Company, CPIC. Changlin's strategy is to leverage AHI's technology through the support and initiatives the Chinese Government is encouraging with a need to improve the population's health and healthcare accessibility. The Chinese government has initiated a comprehensive policy to actively encourage and foster innovation in the healthcare sector, with an emphasis on inviting local Chinese companies to scout, partner with, and bring cutting-edge technologies from around the globe. This strategic move aligns with the government's vision to advance healthcare services and improve patient care in China. It underscores China's commitment to modernise its healthcare system and infrastructure, accelerate digital health transformation, and, in doing so, meet the evolving health needs of its population. China is paving the way for a healthier and technologically advanced future by inviting global health innovation.

The intention is to provide individuals with AHI's Biometric Health Assessment via the Changlin platform or application, identifying commonly known chronic disease indicators to triage the individual into the appropriate care pathways.

The broad commercial terms of the license with Changlin Network Technology Ltd are:

(1) Changlin is to pay AHI USD$10 million within 90 days from the execution date of the agreements for the exclusive and perpetual right to AHI's technology ("**Upfront License Fee**"). Changlin is in the process of obtaining finance to pay the Upfront License Fee, following which approval from the State Administration of Foreign Exchange of China ("**SAFE**") will be sought.
(2) Following the receipt of SAFE approval, the Upfront License Fee will be paid, and AHI will grant Changlin the license.
(3) This period may be extended by mutual agreement.
(4) Changlin will pay AHI an annual license fee of USD$5m in addition to any revenue share.
(5) AHI will receive a 25% revenue share of Changlin's gross sales. This revenue share will be paid quarterly in arrears.
(6) The agreement contains standard termination clauses as is customary in such arrangements.
(7) Changlin will localise the intellectual property (IP) and, if necessary, develop its own IP related to the licensed technology.
(8) Changlin may only commercialise the technology within the People's Republic of China
(9) Should Changlin create IP that AHI wishes to offer outside of China, AHI retains the unrestricted right to do so in all other jurisdictions globally.
(10) Changlin has been granted a 120-day standstill period during which AHI will not offer, sell, or enter negotiations with other parties within China.
(11) AHI will initially hold shares in Changlin of 50%.
(12) Changlin is targeting an initial public offering in 2024 (IPO); in such an event, AHI will maintain up to 25%, but not less than 20%, of its common shareholding in Changlin at the IPO.

### *AHI Signs Collaboration Agreement with IntelliGen FZ-LLC*

On August 14, 2023, Advanced Health Intelligence informed shareholders that the Company has entered into a Collaboration Agreement with UAE-Based IntelliGen FZ-LLC ("Intelligen") to deploy the AHI technology throughout the Middle East. The Collaboration Agreement between AHI and IntelliGen represents the successful conclusion of an extensive evaluation process by IntelliGen, which encompassed technology functionality, usability, and health evaluation.

The collaboration between AHI and IntelliGen represents an initiative to address the pressing healthcare challenges in the Middle East, particularly in Saudi Arabia. This partnership combines AHI's advanced technology with IntelliGen's deep understanding of in-country needs and its founders' extensive experience in healthcare provision and government collaboration.

The parties are targeting Q1 2024 as the initial launch of the combined solution, and until such time AHI does not expect this collaboration to generate any revenue.

The broad commercial terms of the license with Intelligen are:

(1) The agreement was made between IntelliGen Solutions FZ-LLC, a company incorporated under the laws of the Dubai Development Authority, and Advanced Health Intelligence Ltd (AHI);
(2) The initial term of the agreement will be for 12 months from the effective date and will automatically extend annually unless terminated by either party with 30 days' notice prior to the end of the initial term;
(3) The partnership aims to establish AHI's presence within both governmental and private entities across the Middle East, mainly focusing on Saudi Arabia. The goal is to commercialise AHI's technology through IntelliGen Solutions;
(4) AHI UAE will form a Special Purpose Vehicle (SPV) to pursue commercial opportunities introduced by IntelliGen Solutions;
(5) IntelliGen will receive a revenue share from all opportunities introduced by IntelliGen;
(6) Revenue share will be calculated as 50% of revenue above AHI base commercial offering; and
(7) The Agreement can be terminated by mutual agreement upon 90 Days written notice or with cause.

IntelliGen has the potential to earn between 250,000 and up to 2,000,000 fully paid ordinary shares in AHI. This share allocation is intricately linked to the successful generation of license fees through collaboration or direct investment in AHI. The issuance of these shares is contingent upon IntelliGen meeting specific criteria related to generating license fees or investment, as outlined in the table below. Upon the successful fulfilment of these criteria, AHI will seek shareholder approval for the issuance of the shares.

| Aggregate License Fee/Investment ($) | AHI Shares issued to IntelliGen |
|---|---|
| US$2m | 250,000 |
| US$5m | 500,000 |
| US$10m | 1,000,000 |
| US$20m | 2,000,000 |

### *AHI successfully registers R&D Overseas Advance Ruling*

On August 17, 2023 - Advanced Health Intelligence Ltd announced a significant milestone in its ongoing commitment to innovation and research. AHI’s submission to the Australian Government was successful in obtaining eligibility for 43.5% reimbursement of approved expenditures incurred abroad for overseas Research & Development (R&D) of intellectual property (IP) under the Australian Government Research and Development Tax Incentive Scheme.

Following a thorough review and assessment by the relevant governmental bodies, AHI’s R&D projects for further enhancement of its IP pertaining to its biometric health assessment, clinical trial validations and on-device algorithms was approved. As a result, the Company is now eligible to claim 43.5% of the costs incurred for these approved Overseas Research and Development activities.

After closing the acquisitions in 2022 of Vertica Health and Wellteq Digital Health Inc., the Company expanded its global development team across the US, Singapore, South Africa, and Netherlands. The economic value returned to the Company through the R&D reimbursement scheme is significant, and AHI will now be able to cast a far broader net to attract additional skills required to extend its leadership in its field of smartphone-derived biometric health technology.

This success underscores AHI's dedication to pioneering research and aligns with the Australian Government's robust support for advancing global research initiatives and Australian-owned IP development. It reflects both the stringent eligibility criteria and the broader goals of the R&D reimbursement program, designed to foster innovation and growth within the industry.

The reimbursement will significantly contribute to AHI’s ongoing R&D projects, enabling the Company to invest in cutting-edge technologies and methodologies that will drive future success and what we believe to be game-changing for global health.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Advanced Health Intelligence Ltd**
**(Formerly known as Advanced Human Imaging Ltd)**
**Unaudited statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|---|
| Software income | 5 | 542,556 | 14,524 |
| Integration and development income | | 107,141 | 182,685 |
| Operating revenue | | 649,697 | 197,209 |
| **Other revenue** | | 122,499 | 245,969 |
| **Expenses** | | | |
| General administration | 6 | (2,939,891) | (4,034,156) |
| Employee expenses | 7 | (5,862,699) | (11,762,310) |
| Sales and marketing | | (910,399) | (2,106,498) |
| Depreciation and amortisation expense | | (312,558) | (363,695) |
| Impairment of assets and receivables | 8 | (2,283,614) | (1,524,752) |
| Share based payments | 30 | (702,383) | - |
| Subscription costs | | (469,903) | (266,844) |
| Insurance | | (1,825,428) | (1,343,312) |
| Cloud infrastructure costs | | (563,991) | - |
| Total expenses | | (15,870,866) | (21,401,567) |
| **Operating loss** | | (15,098,670) | (20,958,389) |
| Finance income | | 254,392 | 155,255 |
| Finance costs | | (477,678) | (163,822) |
| Net finance income / (costs) | | (223,286) | (8,567) |
| **Loss before income tax benefit** | | (15,321,956) | (20,966,956) |
| Income tax benefit | 9 | 2,018,241 | 890,113 |
| **Loss after income tax benefit for the year attributable to the owners of Advanced Health Intelligence Ltd** | | (13,303,715) | (20,076,843) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | 29 | (509,118) | - |
| Other comprehensive income for the year, net of tax | | (509,118) | - |
| **Total comprehensive income for the year attributable to the owners of Advanced Health Intelligence Ltd** | | (13,812,833) | (20,076,843) |
| | | **Cents** | **Cents** |
| Basic loss per share | 10 | (7.20) | (13.08) |
| Diluted loss per share | 10 | (7.20) | (13.08) |

*The above unaudited statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Advanced Health Intelligence Ltd**
**(Formerly known as Advanced Human Imaging Ltd)**
**Unaudited statement of financial position**
**As at 30 June 2023**



| | Note | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | 2,104,584 | 6,011,368 |
| Trade and other receivables | 14 | 311,912 | 51,176 |
| Prepayments | 15 | 834,281 | 895,813 |
| Total current assets | | 3,250,777 | 6,958,357 |
| **Non-current assets** | | | |
| Other financial assets | 16 | 65,485 | 37,500 |
| Right-of-use assets | 17 | 360,455 | 35,199 |
| Property, plant, and equipment | 18 | 152,486 | 94,767 |
| Investments | 20 | 764,209 | 2,565,082 |
| Intangibles | 19 | 4,313,710 | 972,732 |
| Total non-current assets | | 5,656,345 | 3,705,280 |
| **Total assets** | | 8,907,122 | 10,663,637 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 3,840,429 | 500,769 |
| Lease liabilities | 25 | 65,182 | 51,213 |
| Employee benefits | 22 | 628,713 | 383,236 |
| Other current liabilities | 26 | 59,589 | - |
| | | 4,593,913 | 935,218 |
| Interest bearing borrowings | 24 | 1,433,172 | 1,110,171 |
| Total current liabilities | | 6,027,085 | 2,045,389 |
| **Non-current liabilities** | | | |
| Lease liabilities | 25 | 305,082 | - |
| Employee benefits | 22 | 200,277 | 62,861 |
| Other payables | 27 | 346,796 | - |
| Total non-current liabilities | | 852,155 | 62,861 |
| **Total liabilities** | | 6,879,240 | 2,108,250 |
| **Net assets** | | 2,027,882 | 8,555,387 |
| **Equity** | | | |
| Issued capital | 28 | 76,711,004 | 61,822,859 |
| Reserves | 29 | 1,092,412 | 9,338,100 |
| Accumulated losses | | (75,775,534) | (62,605,572) |
| **Total equity** | | 2,027,882 | 8,555,387 |

*The above unaudited statement of financial position should be read in conjunction with the accompanying notes*

**Advanced Health Intelligence Ltd**
**(Formerly known as Advanced Human Imaging Ltd)**
**Unaudited statement of changes in equity**
**For the year ended 30 June 2023**

| **Consolidated** | **Issued capital $** | **Equity remuneration reserve $** | **Foreign currency translation reserve $** | **Accumulated losses $** | **Total equity $** |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 39,213,794 | 5,293,019 | - | (42,528,729) | 1,978,084 |
| Loss after income tax benefit for the year | - | - | - | (20,076,843) | (20,076,843) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (20,076,843) | (20,076,843) |
| Performance rights exercised | 1,996,500 | (1,996,500) | - | - | - |
| Options exercised | 1,665,907 | (491,002) | - | - | 1,174,905 |
| Ordinary shares - NASDAQ | 16,706,783 | - | - | - | 16,706,783 |
| Costs of capital raising - NASDAQ | (2,856,327) | - | - | - | (2,856,327) |
| Repayment of notes | 3,125,964 | - | - | - | 3,125,964 |
| Share-based payments | - | - | - | - | - |
| - Service providers | 1,050,238 | - | - | - | 1,050,238 |
| - Employees / Directors | 920,000 | 6,532,583 | - | - | 7,452,583 |
| Balance at 30 June 2022 | 61,822,859 | 9,338,100 | - | (62,605,572) | 8,555,387 |

| **Consolidated** | **Issued capital $** | **Equity remuneration reserve $** | **Foreign currency translation reserve $** | **Accumulated losses $** | **Total equity $** |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | 61,822,859 | 9,338,100 | - | (62,605,572) | 8,555,387 |
| Loss after income tax benefit for the year | - | - | - | (13,303,715) | (13,303,715) |
| Other comprehensive income for the year, net of tax | - | - | (509,118) | - | (509,118) |
| Total comprehensive income for the year | - | - | (509,118) | (13,303,715) | (13,812,833) |
| Shares issued for Vertica acquisition | 180,000 | - | - | - | 180,000 |
| Shares issued for Wellteq acquisition | 1,673,631 | - | - | - | 1,673,631 |
| Capital raising costs | (493,286) | - | - | - | (493,286) |
| Ordinary shares | 5,000,000 | - | - | - | 5,000,000 |
| Share-based payments | - | 702,383 | - | - | 702,383 |
| Payments to service providers | 117,600 | - | - | - | 117,600 |
| Performance rights issued | - | 105,000 | - | - | 105,000 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Performance rights exercised | 8,410,200 | (8,410,200) | - | - | - |
| Lapse of performance rights and options | - | (133,753) | - | 133,753 | - |
| Balance at 30 June 2023 | 76,711,004 | 1,601,530 | (509,118) | (75,775,534) | 2,027,882 |

*The above unaudited statement of changes in equity should be read in conjunction with the accompanying notes*

**Advanced Health Intelligence Ltd**
**(Formerly known as Advanced Human Imaging Ltd)**
**Unaudited statement of cash flows**
**For the year ended 30 June 2023**

| | Note | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 817,335 | 266,212 |
| Research & Development tax incentive grant | | 2,031,623 | 890,113 |
| Interest received | | 858 | 98 |
| Interest and other costs of finance paid | | (288,172) | (163,822) |
| Payments to suppliers and employees | | (9,928,828) | (10,851,400) |
| Net cash used in operating activities | 13 | (7,367,184) | (9,858,799) |
| **Cash flows from investing activities** | | | |
| Payments for investments | | (187,300) | (3,126,950) |
| Payments for property, plant and equipment | | (25,858) | (86,269) |
| Loans (to) / from related party | | 150,701 | (171,500) |
| Loans to other entities | 4 | (1,000,000) | - |
| Cash acquired from acquisition of Investee companies | 4 | 343,607 | - |
| Net cash used in investing activities | | (718,850) | (3,384,719) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 28 | 5,000,000 | 18,233,320 |
| Proceeds from borrowings | | 2,250,000 | 1,077,069 |
| Proceeds from issue of convertible notes | | 1,975,424 | - |
| Share issue transaction costs | | (524,786) | (2,141,090) |
| Repayment of borrowings | | (2,732,311) | - |
| Repayment of lease liabilities | | - | (86,912) |
| Repayment of convertible notes | | (1,750,000) | - |
| Net cash from financing activities | | 4,218,327 | 17,082,387 |
| Net increase/(decrease) in cash and cash equivalents | | (3,867,707) | 3,838,869 |
| Cash and cash equivalents at the beginning of the financial year | | 6,011,368 | 2,172,499 |
| Effects of exchange rate changes on cash and cash equivalents | | (39,077) | - |
| Cash and cash equivalents at the end of the financial year | 12 | 2,104,584 | 6,011,368 |

*The above unaudited statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of this Preliminary Final Report to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. This Preliminary Final Report is for the Group consisting of Advanced Health Intelligence Ltd and its subsidiaries.

### *New or amended Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

*Prior year comparatives*
This Preliminary Final Report uses comparatives sourced from the Company's re-issued 2022 Annual Report. The Annual Report was reissued on 14 December 2022.

The reason for the reissue of the 2022 Annual Report was announced in the AHI ASX Announcement dated 23 November 2022, in which it was advised that the Consolidated Entity will be reissuing its 2022 Annual Report, following its subsequent material restatement of the fair value of its investment in Triage Technologies Inc. ('Triage Investment') at 30 June 2022. This restatement followed the receipt of a formal valuation of the Consolidated Entity's Triage Investment by an accredited Canadian valuer, which increased the Consolidated Entity's Net Asset position by $2,565,082 at 30 June 2022 and reduced its Total Comprehensive Loss by a corresponding amount for the year ended 30 June 2022.

### Going concern

These preliminary consolidated financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the year ended 30 June 2023, the consolidated entity incurred an operating loss of $13,303,715 (2022- $20,076,843) which included non-cash items, such as a provision for impairment as well as share-based payments. The adjusted non-IFRS operating loss, after making an adjustment for the non-cash items referred to above, is $10,225,001 (2022 - $7,192,840). Notwithstanding the fact the consolidated entity incurred an operating loss, has a net asset deficiency of $970,261 (2022 - $6,023,139 surplus) and has a net cash outflow from operating activities amounting to $7,367,184 (2022- $9,858,799, the Directors are of the opinion that the consolidated entity is a going concern for the following reasons:

## Note 1. Significant accounting policies (continued)

- As announced on August 4, 2023, the Company executed a binding exclusive, perpetual license with Shanghai-based Changlin Network Technology Ltd (“Changlin”). This agreement requires Changlin to pay AHI USD$10 million within 90 days from the execution date for the exclusive and perpetual right to AHI's technology.
- On 13 June 2023, The Company announced it had successfully undertook a $5,000,000 share placement with Orca Capital GMBH at a 194% premium to the last traded share price on Friday, 9 June 2023.
- As announced in its June 2023 Appendix 4C lodgement with the ASX, the Company has been presented with three additional funding proposals between $5,000,000 and $20,000,000 through a placement under its LR7.1 capacity. The Company is actively engaged in discussions with parties and anticipates closing the additional capital soon.
- On 21 June 2023, the Company announced it had entered into a Letter of Intention with UAE based e-script medicine management company Parmak Pharmacy LLC to integrate AHI's Biometric Health Assessment into Pharmak's e-script screening solution. The parties are targeting a January 2024 initial launch of the solution. Pharkmak expects to achieve a minimum e-script order volume in 2024 of 100,000 e-scripts per month in each of the UAE and Saudi Arabia. It has been agreed between the parties that AHI will receive 1.6% of the gross e-script value.

The consolidated entity's ability to continue as a going concern and meet future working capital requirements is dependent on the above points being realised. Should the consolidated entity not be successful in generating the required cash flows, there is a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. There have been no adjustments to the preliminary financial statements to reflect the material uncertainty.

## New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of these preliminary financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions with employees 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 either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Fair value measurement hierarchy*
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

*Estimation of useful lives of assets*
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Deferred consideration*

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

*Business combinations*

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## Note 3. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The consolidated entity's sole activity is mobile application and technology development. Therefore, it has aggregated all operating segments into the one reportable segment being technological development.

## Note 4. Business combinations

### *Wellteq Acquisition*

On 6 December 2022, the Company acquired 100% of the ordinary shares of Wellteq Digital Health Inc ('Wellteq') and its wholly owned subisidiaries for the total non-cash consideration transferred of $1,673,631 on completion of the court-approved Plan of Arrangement in British Columbia, Canada. Consideration comprised 17,804,587 shares in AHI at an issue price of $0.094 per share.

In conjunction with the Arrangement Agreement, AHI and Wellteq also entered into a loan agreement whereby AHI agreed to advance to Wellteq up to $1,200,000. As at the time of acquisition, AHI had advanced to Wellteq $1,000,000. Interest of $16,711 had accrued at the time of acquisition.

The loan between AHI and Wellteq settled on business combination for $1,000,000. At acquisition, the fair value of the total consideration was $2,673,631. representing the value of the shares issued and loan settled.

Wellteq was listed on the Canadian Securities Exchange (CSE: WTEQ) and is a leading provider of corporate wellness solutions developed to provide data-driven personalized health and wellness coaching to engage its users in healthier behaviours. As an enterprise (business-to-business) model Wellteq currently had two main sectors of customers, employers, and insurance companies.

Details of the acquisition are as follows:

| | **Fair value** **$** |
|---|---|
| Cash and cash equivalents | 422,331 |
| Trade receivables | 238,866 |
| Other current assets | 109,235 |
| Equipment | 104,074 |
| Trade payables and accrued liabilities | (652,240) |
| Employee benefits | (49,537) |
| Other provisions | (180,356) |
| Deferred revenue | (150,016) |
| Net liabilities acquired | (157,643) |
| Goodwill | 2,602,985 |
| Customer relationships | 158,000 |
| Brand | 87,000 |
| Acquisition-date fair value of the total consideration transferred | 2,690,342 |
| Representing: | |
| Advanced Health Intelligence Ltd shares issued to vendor | 1,673,631 |
| Loan between AHI and Wellteq settled on business combination | 1,016,711 |
| | 2,690,342 |

Management have considered whether any impairment considerations exist with respect to the acquired intangible assets. These are considered in Note 19.

### *Revenue and profit contribution*

The acquired business combination contributed revenues of $508,009 and net loss of $1,455,953 to the group for the period from 6 December 2022 to 30 June 2023.

If the acquisition had occurred on 1 July 2022, consolidated pro-forma revenue and loss for the year ended 30 June 2023 would have been $1,096,358 and $3,862,901 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

## Note 4. Business combinations (continued)

### *Vertica Acquisition*

On 5 August 2022, the Company concluded a Share Sale Agreement to acquire 100% of the ordinary shares of Vertica Health (Pty) Ltd ('Vertica'), a South African registered company, for a combination of cash and non-cash consideration. The consideration comprised cash and non-cash consideration as follows:

- 1,500,000 AHI fully paid ordinary shares issued on closing, escrowed for 24 months from issue;
- US$100,000 cash payable on transaction close;
- US$250,000 payable 1 year from closing; and
- US$250,000 payable 2 years from closing.

AHI shares were valued at a market price of $0.12 per share at the time of the acquisition.

Details of the acquisition are as follows:

| | Fair value $ |
|---|---:|
| Cash and cash equivalents | 32 |
| Trade receivables | 2,616 |
| Trade payables | (2,477) |
| | |
| Net assets acquired | 171 |
| Goodwill | 607,176 |
| In-process R&D Software | 374,000 |
| | |
| Acquisition-date fair value of the total consideration transferred | 981,347 |
| | |
| Representing: | |
| Cash paid to vendor | 144,419 |
| Advanced Health Intelligence Ltd fully paid ordinary shares issued to vendor | 180,000 |
| Deferred cash payable to vendor | 656,928 |
| | |
| | 981,347 |

Management have considered whether any impairment considerations exist with respect to the acquired intangible assets. These are considered in Note 19.

### *Revenue and profit contribution*

The acquired business combination contributed no revenues and net loss of $582,735 to the group for the period from 6 December 2022 to 30 June 2023.

If the acquisition had occurred on 1 July 2022, the consolidated pro-forma revenue and profit for the year ended 30 June 2023 would not have been different to the achieved results as the Vertica business was transferred into a new company just before the transaction time, and was subsequently acquired by the Group.

## Note 5. Software income

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Software development kits - per user | 35,495 | 13,721 |
| Software development kits - per scan | 2,353 | 803 |
| Software subscriptions | 504,708 | - |
| | 542,556 | 14,524 |

Revenue from a contract to provide software services is recognised over time as the services are performed. Software services are invoiced either annually, quarterly or monthly in advance of service, and is initially recognised as deferred revenue and then shown as revenue over the service period.

## Note 6. General administration

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Unrealised foreign exchange (gain)/loss | (265,517) | (137,374) |
| Consulting & advisory | 1,347,698 | 553,087 |
| Corporate expenses | 452,893 | 458,663 |
| Telecommunications & IT | 237,390 | 202,560 |
| General & administrative expenses | 167,577 | 224,065 |
| Outsourced development costs | 25,287 | 164,050 |
| Travel costs | 447,819 | 207,862 |
| Doubtful debts expense | - | 235,357 |
| ASX and listing fees | 364,505 | 286,789 |
| Other expenses | 64,581 | 563,234 |
| NASDAQ listing expenses | 97,658 | 1,275,863 |
| | 2,939,891 | 4,034,156 |

## Note 7. Employee expenses

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Salaries and wages | 5,327,193 | 3,429,019 |
| Superannuation contributions | 489,507 | 322,219 |
| Share based payments[1] | 105,000 | 7,452,583 |
| Employment taxes and insurances | (142,380) | 435,089 |
| Other employment expenses | 83,379 | 123,400 |
| | 5,862,699 | 11,762,310 |

[1] The fair value of equity settled transactions with employees, directors and suppliers is apportioned over the period from grant date to vesting date. See Note 30 for details of transactions vesting within the financial year.

## Note 8. Provision for impairment expense

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Triage Technologies Pte Ltd (Note 20) | 1,807,829 | 551,089 |
| Jana Care Inc | 200,729 | 62,129 |
| Bearn Inc (Note 23) | 3,868 | 803,072 |
| Body Composition Technologies Pte Ltd | 26,188 | 188,271 |
| Physimax Technologies Limited | - | (79,809) |
| Wellteq intangibles acquired through business combination (Note 4, Note 19) | 245,000 | - |
| | 2,283,614 | 1,524,752 |

The provisions for impairment for Jana Care Inc, Bearn Inc and Body Composition Technologies Pte Ltd related to the impairment of continued accrual on interest on loans to those entities, and any foreign currency fluctuations relating to the asset carrying value.

## Note 9. Income tax

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| *a) Income tax expense* | | |
| Current income tax | | |
| Research and development tax concession | (2,018,240) | (890,113) |
| | | |
| Deferred income tax: | | |
| Relating to origination and reversal of timing differences | 503,587 | 7,168,453 |
| Deferred income tax benefit not recognised | (503,587) | (7,168,453) |
| | | |
| Income tax benefit reported in the Statement of profit or loss and other comprehensive income | (2,018,240) | (890,113) |

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| *b) Reconciliation of income tax expense to prima facie tax payable* | | |
| Loss from continuing operations before income tax expense | (15,321,956) | (20,966,956) |
| | | |
| Tax at the Australian rate of 25% (2022: 25%) | (3,830,489) | (5,241,739) |
| | - | - |
| Capital raising costs claimed | (1,006,095) | (301,743) |
| Non-deductible expenses | 356,552 | 2,017,457 |
| Effect of difference in foreign tax rates | 102,842 | - |
| Research and development tax concession | (2,018,240) | (890,113) |
| Unused tax losses and temporary differences not recognised as deferred tax assets | 4,377,190 | 3,526,025 |
| Tax benefit | (2,018,240) | (890,113) |

## Note 9. Income tax (continued)

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| *c) Deferred tax – Statement of Financial Position (unrecognised)* | | |
| Revenue losses available to offset against future taxable income | 6,836,877 | 5,428,055 |
| Accrued expenses and leave provisions | 257,778 | 199,877 |
| Deductible equity raising costs | 689,315 | 1,139,489 |
| Other | 61,291 | 4,004 |
| Development asset | 307,298 | 246,503 |
| Patents | 273,005 | 243,403 |
| Investments | 1,547,215 | 165,420 |
| Unrealised foreign exchange gain | (66,130) | (34,344) |
| Prepaid expenses | - | (223,953) |
| Net deferred tax assets not recognised | 9,906,649 | 7,168,454 |

Deferred tax assets have been recognised to the extent that they extinguish deferred tax liabilities of the Company as at the reporting date.

Net deferred tax assets have not been recognised, in either reporting period, in respect of amounts in excess of deferred tax liabilities.

The tax benefits of the above deferred tax assets will only be obtained if:

(i) The Company derives probable future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;
(ii) The Company continues to comply with the conditions for deductibility imposed by law; and
(iii) No changes in tax legislation adversely affect the Company realising the benefit from the deduction of the losses.

All unused tax losses were incurred by Australian entities.

## Note 10. Loss per share

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| *Earnings per share for loss from continuing operations* | | |
| Loss after income tax attributable to the owners of Advanced Health Intelligence Ltd | (13,303,715) | (20,076,843) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share | 184,836,915 | 153,488,834 |
| Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share | 184,836,915 | 153,488,834 |
| | **Cents** | **Cents** |
| Basic loss per share | (7.20) | (13.08) |
| Diluted loss per share | (7.20) | (13.08) |

## Note 10. Loss per share (continued)

Options and share rights to acquire ordinary shares granted by the Company and not exercised at the reporting date have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Options or share rights on issue at 30 June 2023 are considered to be anti-dilutive due to the loss incurred during the financial year.

## Note 11. Dividends

There were no dividends paid, recommended, or declared during the financial years ended 30 June 2023 and 30 June 2022. The Company has no franking credits available as at 30 June 2023 and 30 June 2022.

## Note 12. Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $ | 30 June 2022 $ |
| Cash at bank[1] | 2,104,584 | 6,011,368 |

[1] Cash at bank earns interest at floating rates based on daily deposit rates.

## Note 13. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | 30 June 2023 $ | 30 June 2022 $ |
| Loss after income tax benefit for the year | (13,303,715) | (20,076,843) |
| Adjustments for non-cash items: | | |
| Depreciation and amortisation | 371,273 | 363,695 |
| Impairment of assets and receivables | 2,283,614 | 4,175,993 |
| Share-based payments | 807,383 | 7,452,583 |
| Foreign exchange differences | (530,799) | 142,836 |
| Fair value loss on convertible notes | - | 781,492 |
| Accrued interest | (230,785) | (155,157) |
| Movement in assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (234,955) | 192,124 |
| Decrease in prepayments | 61,532 | 9,542 |
| Increase in employee benefits | 382,893 | 7,106 |
| (Increase) in investments | - | (2,565,082) |
| Increase / (decrease) in deferred income | 59,589 | (132,800) |
| Increase / (decrease) in trade and other payables | 2,966,786 | (54,288) |
| Net cash used in operating activities | (7,367,184) | (9,858,799) |

## Note 14. Trade and other receivables

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| Trade receivables | 401,358 | 251,244 |
| GST receivable | 145,911 | 35,289 |
| Less: Provision for doubtful debts | (235,357) | (235,357) |
| | 311,912 | 51,176 |

During the 2022 and earlier financial years, the Company provided services to Body Composition Technologies Pty Ltd ("BCT Australia") an Australian incorporated wholly owned subsidiary of Body Composition Technologies Pte Ltd ("BCT"). AHI has a Joint Venture interest in BCT. The total receivables balance from BCT Australia to the Company at 30 June 2022 was $235,357, which had been fully provided for as a doubtful debt.

## Note 15. Prepayments

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| Prepaid insurance | 834,281 | 876,847 |
| Other prepayments | - | 18,966 |
| | 834,281 | 895,813 |

## Note 16. Other financial assets

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| Security deposits | 65,485 | 37,500 |

## Note 17. Right-of-use assets

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| Land and buildings - right-of-use | 400,140 | 105,597 |
| Less: Accumulated depreciation | (39,685) | (70,398) |
| | 360,455 | 35,199 |

The consolidated entity had a 3-year lease agreement for office premises in Perth, Australia which ended on 31 December 2022. Refer to Note 25.

The consolidated entity extended its lease over the premises for an additional 3 years, with options for a 4th and 5th year. The total payments under the lease amounting to $487,469 have been discounted at the Company's incremental borrowing rate of 7.8% in order to determine the initial lease liability of $400,140. To determine the incremental borrowing rate, third party financing was used as a starting point and adjusted to reflect changes in financing conditions.

## Note 18. Property, plant, and equipment

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Leasehold improvements - at cost | 55,735 | 55,735 |
| Less: Accumulated depreciation | (55,735) | (44,691) |
| | - | 11,044 |
| Office equipment - at cost | 431,058 | 229,005 |
| Less: Accumulated depreciation | (278,572) | (145,282) |
| | 152,486 | 83,723 |
| | 152,486 | 94,767 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

| **Consolidated** | Office equipment $ | Leasehold improvements $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2022 | 83,723 | 11,044 | 94,767 |
| Additions | 67,483 | - | 67,483 |
| Net additions through business combinations (Note 4) | 104,074 | - | 104,074 |
| Depreciation expense | (102,794) | (11,044) | (113,838) |
| Balance at 30 June 2023 | 152,486 | - | 152,486 |

## Note 19. Intangibles

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Goodwill | 3,210,161 | - |
| Customer relationships | 158,000 | - |
| Less: Impairment | (158,000) | - |
| | - | - |
| In-process R&D software | 374,000 | - |
| Brand | 87,000 | - |
| Less: Impairment | (87,000) | - |
| | - | - |
| Application development | 1,972,994 | 1,958,742 |
| Less: Accumulated amortisation | (1,243,445) | (986,010) |
| | 729,549 | 972,732 |
| | 4,313,710 | 972,732 |

## Note 19. Intangibles (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

| Consolidated | Goodwill $ | Application Development $ | In-process R&D software $ | Customer Relationships $ | Brand and media presence $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2022 | - | 972,732 | - | - | - | 972,732 |
| Additions through Vertica business combination (Note 4) | 607,176 | - | 374,000 | - | - | 981,176 |
| Additions through Wellteq business combination (Note 4) | 2,602,985 | 14,252 | - | 158,000 | 87,000 | 2,862,237 |
| Impairment of assets | - | - | - | (158,000) | (87,000) | (245,000) |
| Amortisation expense | - | (257,435) | - | - | - | (257,435) |
| Balance at 30 June 2023 | 3,210,161 | 729,549 | 374,000 | - | - | 4,313,710 |

### Impairment testing
Goodwill acquired through business combinations of Wellteq and Vertica have been allocated to a single cash-generating unit at the Group level.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 3 year projection period approved by management and extrapolated for a further 2 years using a steady rate. Management has assessed that there is a single Cash Generating Unit as follows:

*Cash Generating Unit*

Management has formed a view that AHI is a single Cash Generating Unit (CGU), on the basis that:

- The acquisition of the Wellteq and Vertica groups was to combine the technology of both companies into single digital solution to deliver scalable health assessment, risk stratification and digital triage to healthcare providers, insurers, employers and government agencies.
- AHI communicated this objective at the time of the Wellteq acquisition on 9 December 2022. The ASX release makes clear the intention to have a single software solution.
- At the time of acquisition of Vertica, Vertica did not have a product which was in a commercial state, and did not derive its own income.
- At the time of acquisition of Wellteq, it did have a commercialised product which developed income. However as detailed above, that product has now ceased operation as the broader integration into the AHI platform has been undertaken.
- No segmentation is conducted in the company's financial statements as it is of the view it operates within a single segment.
- Future sales of the combined AHI digital solution, combining all technology, will be made under the AHI brand.

In assessing the recoverable amount of the Intangible Assets acquired through the Wellteq business combination, management formed the view that the following impairment factors existed:

## Note 19. Intangibles (continued)

- In the quarter ended 30 June 2023, management undertook a review of the consolidated entity's service offering and technology stack, it was determined that it would cease operation of the Wellteq platform, and agreements with all customers would be terminated. No services on these customers were provided by this platform after 31 July 2023. The Wellteq platform was Wellteq's sole source of income and engagement with customers.
- As a result of this decision and a re-focussing on the entire AHI business on a Biometric Health Assessment (BHA) and scan-based product, multiple roles were made redundant, particularly impacting staff that supported or developed the Wellteq platform.
- With the decommissioning of the platform, all customer relationships ceased and the Wellteq brand was removed from the market. AHI does not intend to use the Wellteq brand going forward.
- However, as part of the future offering to customers, Wellteq will contribute experience and knowledge towards mental health and analytics capabilities within the AHI offering. Future customer agreements will, in some part, require an allocation towards Wellteq's contribution to the overall offering.

Given the factors above, management has formed the view that customer relationships and brand and media presence has no future value and therefore fully impaired.

Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive.

The following key assumptions were used in the discounted cash flow model for the CGU:

- 58% pre-tax discount rate
- 2% per annum projected revenue growth rate from year 4
- 10% per annum increase in operating costs and overheads from year 4
- Cash generated from the CGU arises from the recent announcement of the Changlin Network Technology Ltd licensing agreement (Note 31), and estimates of inflows from other recently signed agreements.

The discount rate of 58% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the CGU.

Management believes the projected 2% revenue growth rate is prudent and justified as the time horizon beyond 3 years is difficult to project. A 10% per annum increase in operating costs and overheads is considered justified to cater for growth of employee salaries and team expansion.

Based on the above, the recoverable amount of the goodwill based on value-in-use calculation exceeded the value of carrying amount. Therefore, management has assessed that goodwill does not require impairment during the period.

*Sensitivity*

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

If the upfront fee of USD10m from Changlin commercial agreement is not achieved, the recoverable value of the goodwill will not be affected as the value-in-use is still greater than the carrying value recorded. Under this assumption:

- Revenue would need to further decrease by more than 67.5% before goodwill would need to be impaired, with all other assumptions remaining constant, or
- The discount rate would be required to increase to 98.2% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the goodwill.

## Note 19. Intangibles (continued)

### In-process R&D Software

As part of the acquisition of Vertica (Note 4), the consolidated entity acquired in-process R&D software. When complete, management is of the view that it will have a finite useful life as the product is constantly improved, iterated upon and ultimately, become obsolete as time passes.

As at 30 June 2023 management has assessed this software as still being in development and not in a stage ready for commercial use. At the point in time where income is derived to which the asset contributes, management will commence amortising the asset over its projected useful life.

## Note 20. Investments

The recoverable amounts of the Company's investments are reviewed at each reporting date. As the Company's investments are in unlisted entities, the determination of recoverable value is subject to various estimates and assumptions. As an accurate assessment of recoverable value is not available at the reporting date, the Company has elected to continue with provisions for impairment against each of its investments, as shown in the table below. When the Company can make a more accurate determination of recoverable value, the Company will re-assess whether a provision for impairment is still required for its investments.

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Investment in Triage Technologies Inc | 764,209 | 2,565,082 |
| Total investments | 764,209 | 2,565,082 |

| | Triage Technologies | Jana Care | Body Composition Technologies | Capitalised legal costs |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2021** | 1,362,717 | 690,153 | 680,008 | - |
| Additional Investment | 3,126,950 | - | - | - |
| Interest and other costs | - | 83,031 | 16,771 | - |
| Foreign exchange movement | (10,779) | (20,903) | - | - |
| Provision for impairment | (1,913,806) | (752,281) | (696,779) | - |
| | - | - | - | - |
| **Balance at 30 June 2022** | 2,565,082 | - | - | - |
| Foreign exchange movement | 6,956 | - | - | - |
| Provision for impairment | (1,807,829) | - | - | - |
| **Balance at 30 June 2023** | 764,209 | - | - | - |

## Note 21. Trade and other payables

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Trade payables | 2,810,643 | 136,372 |
| Accrued Expenses | 405,015 | 216,788 |
| Employment related payables | 251,896 | 147,609 |
| Deferred acquisition consideration[1] | 372,875 | - |
| | 3,840,429 | 500,769 |

[1] Refer to Note 27.

## Note 22. Employee benefits

| **Current** | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Annual leave | 628,713 | 383,236 |

| **Non-current** | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Long service leave | 200,277 | 62,861 |

## Note 23. Loans to other entities

Bearn, Inc ("Bearn") has developed an application that allows tor the gamification and engagement of health users by rewarding users for achieving health goals. In January 2021, the Company entered a Joint Marketing Agreement (the "Bearn Agreement") with Bearn). Pursuant to the Bearn Agreement, the Company has funded a total of US$500,000 to Bearn over 4 tranches. The loan is secured over Bearn's software and separately a pledge over the interests of Bearn's founder, Mr. Aaron Drew.

Under the terms of the agreement, Bearn undertook to use the funds advanced by the Company to integrate the AHI scan capabilities and launch with a target to deliver 1 million active monthly users to the Company within 12 months from Launch. If Bearn failed to achieve this target, the loan and interest became repayable 15 months from the date of the promissory note, which was extended to October 31, 2022.

If Bearn achieves the target the repayment date will be extended for a further 12 months.

The Bearn Agreement contains certain warranties, indemnities and limitations of liability by both parties. The loan attracts interest at 8% for the first 12 months and thereafter a sliding scale of interest (15% to 0%) applies depending on the number of monthly active users. Should the number of active monthly users reach 2 million, the loan will be forgiven. The maturity date depends on Bearn achieving 1 million active monthly users. If the target is not achieved, then the loan and accrued interest is repayable in 15 months.

As at 30 June 2023, Bearn had not achieved its sales targets.

The value of the Bearn loan at 30 June 2023 is $806,940 (2022: $803,072), which includes accrued interest during the period of $121,131 (2022: $55,354). The Company has fully impaired the value of the Bearn loan at 30 June 2023 and 30 June 2022.

Bearn made repayments of USD$100,973 (AUD$150,700) in respect of the loan during the year ended 30 June 2023 (2022: Nil).

## Note 23. Loans to other entities (continued)

| | Consolidated 30 June 2023 $ |
|---|---|
| Opening balance of Bearn Loan at 1 July 2022 | 803,072 |
| Interest accrued | 121,131 |
| Loan repayments received | (150,701) |
| Movements related to foreign exchange | 33,438 |
| | 806,940 |
| *Less:* | |
| Opening provision for impairment | (803,072) |
| Current period impairment charge | (3,868) |
| Bearn loan written down value at 30 June 2023 | - |

Movement in the loan balance pursuant to the above table was $3,868. This has been recognised as an impairment charge on the loan (Note 8).

## Note 24. Interest bearing borrowings

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| R&D prepayment loan [1] | 1,000,000 | 700,000 |
| Other loans[2] | 207,712 | 410,171 |
| Convertible notes payable[3] | 225,460 | - |
| | 1,433,172 | 1,110,171 |

[1] In the year ended 30 June 2023, the Company received a $1,000,000 R&D tax prepayment loan from Asymmetric Innovation Finance Pty Ltd Pty Ltd. The loan attracts interest at a rate of 15% per annum and will be repaid in full on following the assessment of AHI's 2023 R&D tax incentive and the corresponding receipt of funds.

In the year ended 30 June 2022, the Company received a $700,000 R&D tax prepayment loan from R&D Capital Partners Pty Ltd. The loan attracts interest at a rate of 1.15% per month and was repaid in full on 30 January 2023 following the assessment of AHI's 2022 R&D tax incentive.

[2] Other loans, held with First Insurance Funding, are held to fund the Company's upfront annual insurance premium. The loans are unsecured and interest bearing at a rate of 7.5%.

[3] Holders of each convertible note, face value $1, may convert into shares any time after the earlier of the first 6 months of issuance of the note and the date that the AHI share price on the ASX trades at or above a floor price of $0.50. AHI must pay interest on the face value at 8% per annum, calculated and capitalised quarterly.

## Note 25. Lease liabilities

| | Consolidated 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| Current liability | 65,182 | 51,213 |
| Non-current liability | 305,082 | - |
| | 370,264 | 51,213 |

## Note 25. Lease liabilities (continued)

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Balance at the beginning of the financial year | 51,213 | 138,125 |
| Lease liability recognised - new operating lease [1] | 400,140 | - |
| Repayment of lease liability | (81,089) | (86,912) |
| Balance at the end of the financial year | 370,264 | 51,213 |

The consolidated entity had a 3-year lease agreement for office premises in Perth, Australia which ended on 31 December 2022. The total payments under the lease amounting to $299,129 were discounted at the Company's incremental borrowing rate of 10% in order to determine the initial lease liability of $211,191. To determine the incremental borrowing rate, third-party financing received was used as a starting point and adjusted to reflect changes in financing conditions since the third-party financing was received.

[1] The consolidated entity extended its lease over the premises for an additional 3 years, with options for a 4th and 5th year. This lease commenced on 1 January 2023. The total payments under the lease amounting to $487,469 have been discounted at the Company's incremental borrowing rate of 7.8% in order to determine the initial lease liability of $400,140. To determine the incremental borrowing rate, third party financing was used as a starting point and adjusted to reflect changes in financing conditions.

During the financial year, $20,245 (2022: $23,589) interest on the lease was expensed as financing costs.

## Note 26. Other current liabilities

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Deferred revenue | 59,589 | - |

*Reconciliation of deferred revenue*

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Opening balance | - | - |
| Advances received during the year, net of revenue recognised | 59,589 | - |
| Deferred revenue acquired through business combination | 150,016 | - |
| Revenue recognised during the year that was included in the deferred revenue balance at the beginning of the year or at business combination | (150,016) | - |
| Closing balance | 59,589 | - |

## Note 27. Other payables

| | Consolidated | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| | $ | $ |
| Deferred acquisition consideration | 346,796 | - |

## Note 27. Other payables (continued)

| Reconciliation of deferred consideration | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Deferred consideration - current portion (Note 21) | 372,875 | - |
| Deferred consideration - non-current portion | 346,796 | - |
| Total deferred consideration | 719,671 | - |

The deferred acquisition consideration relates to the acquisition of Vertica Health (Pty) Ltd. Refer to Note 4. Under the terms of the Vertica acquisition, deferred consideration was payable to the vendors as follows:

- US$250,000 payable 1 year from closing; and
- US$250,000 payable 2 years from closing.

The reconciliation of the present value of deferred consideration at business combination to balance date is shown below:

| | Consolidated 30 June 2023 $ |
|---|---|
| Deferred consideration at business combination (Note 4) | 656,928 |
| Interest expense | 48,863 |
| Unrealised FX loss | 13,880 |
| | 719,671 |

## Note 28. Issued capital

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Ordinary shares have no par value. There is not limit to the authorised share capital of the Company. There are no externally imposed capital requirements.

| | Consolidated 30 June 2023 Shares | 30 June 2022 Shares | 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|---|---|
| Issued capital - ordinary shares | 217,703,969 | 166,749,382 | 76,711,004 | 61,822,859 |
| Issued share capital | 217,703,969 | 166,749,382 | 76,711,004 | 61,822,859 |

## Note 28. Issued capital (continued)

| Share movements during the period - ordinary shares | 30 June 2023 Shares | 30 June 2022 Shares | 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|---|---|
| At the start of the period | 166,749,382 | 136,362,538 | 61,822,859 | 39,213,794 |
| Share placement | 20,000,000 | - | 5,000,000 | - |
| Shares issued on exercise of Performance rights (Note 30) | 10,500,000 | 5,000,000 | 8,410,200 | 1,996,500 |
| Shares issued on exercise of Options | - | 3,103,622 | - | 1,665,905 |
| Shares issued to related party | - | 2,000,000 | - | 920,000 |
| Share based payments | - | 1,172,812 | - | 1,050,237 |
| Share issue - NASDAQ IPO | - | 16,100,000 | - | 16,706,786 |
| Share issue - conversion of convertible note | - | 3,010,410 | - | 3,125,964 |
| Share issue - Vertica acquisition (Note 4) | 1,500,000 | - | 180,000 | - |
| Share issue - Wellteq acquisition (Note 4 ) | 17,804,587 | - | 1,673,631 | - |
| Shares issued to service providers | 1,150,000 | - | 117,600 | - |
| Less share issue costs | - | - | (493,286) | (2,856,327) |
| | 217,703,969 | 166,749,382 | 76,711,004 | 61,822,859 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Opening Balance | 1 July 2022 | 166,749,382 | | 61,822,859 |
| Vertica acquisition shares (1) | 05/08/2022 | 1,500,000 | $0.120 | 180,000 |
| Wellteq acquisition shares (2) | 06/12/2022 | 17,804,587 | $0.094 | 1,673,631 |
| Conversion of performance rights (3) | 19/12/2022 | 10,000,000 | $1.204 | 8,305,200 |
| Shares issued to service provider (4) | 15/02/2023 | 400,000 | $0.094 | 37,600 |
| Shares issued to service provider (5) | 15/02/2023 | 500,000 | $0.105 | 52,500 |
| Shares issued to service provider (6) | 18/04/2023 | 250,000 | $0.110 | 27,500 |
| Share placement (7) | 14/06/2023 | 20,000,000 | $0.250 | 5,000,000 |
| Conversion of performance rights (8) | 30/06/2023 | 500,000 | $0.210 | 105,000 |
| Share issue costs (9) | | - | $0.000 | (493,286) |
| Balance | 30 June 2023 | 217,703,969 | | 76,711,004 |

(1) Issued at a market value of $0.12 per share at the time of the Vertica acquisition. See Note 4.

(2) Issued at a market value of $0.12 per share at the time of the Wellteq acquisition. See Note 4.

(3) 10,000,000 vested performance rights were exercised by Mr Vlado Bosanac on 12 December 2022 into ordinary shares in the Company.

(4) 400,000 shares were issued to Mr Evan Cross at $0.094 per share for consultancy services rendered to the company.

(5) 500,000 shares were to a supplier as a fee for securing a $1million short term loan facility.

(6) 250,000 shares were issued to Celtic Capital Pty Ltd at $0.11 per share for consultancy services rendered to the company.

(7) 20,000,000 shares were issued in a private placement to Orca Capital GMBH at $0.25 per share. A capital raising fee of $315,000 was payable to Evolution Capital from the proceeds of the capital raise.

(8) 500,000 vested performance rights were exercised by a former employee on 30 June 2023 into ordinary shares in the Company.

(9) Share issue costs incurred during the period included:

## Note 28. Issued capital (continued)

- $135,562 for legal fees in respect of the Wellteq Acquisition.
- $315,000 to Evolution Capital as described in (7) above.
- $42,724 to other the Maxim Group and VCheck Global for capital raising services rendered.

## Note 29. Reserves

| | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Equity Remuneration Reserve | 1,601,530 | 9,338,100 |
| Foreign currency reserve | (509,118) | - |
| | 1,092,412 | 9,338,100 |

*Equity compensation reserve*
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

| Movement in equity compensation reserve | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Balance at the beginning of the year | 9,338,100 | 5,293,019 |
| Fair value vesting expense of options and performance rights | 702,383 | 6,532,583 |
| Fair value of options/performance rights exercised during the year | (8,305,200) | (2,487,502) |
| Lapse of performance rights and options | (133,753) | - |
| Balance at the end of the period | 1,601,530 | 9,338,100 |

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

| Movement in foreign currency reserve | Consolidated 30 June 2023 $ | Consolidated 30 June 2022 $ |
|---|---|---|
| Balance at the beginning of the period | - | - |
| Movement in the value of foreign subsidiary losses and intercompany loan balances | (509,118) | - |
| Balance at the end of the period | (509,118) | - |

## Note 30. Share-based payments

### *Options*

The company has an Incentive Option Plan which was re-adopted following Shareholder approval in November 2019. Options over unissued shares are issued at the discretion of the Board.

*a) Options granted, issued, exercised and lapsed during the year*

During the year ended 30 June 2023, the Company issued the following options.

## Note 30. Share-based payments (continued)

- 2,500,000 unlisted options were issued at an exercise price of $0.35 to Evolution Capital Pty Ltd on 13 June 2023 in respect of capital raising services rendered. These options expire on 13 June 2025 and had no vesting conditions.

During the year ended 30 June 2022, the Company issued 700,000 unlisted Director options (following shareholder approval) and 140,000 unlisted placement options, details of which can be found below.

During the year ended 30 June 2023, no options vested (2022 - Nil).

During the year ended 30 June 2023, no options were exercised.

During the year ended 30 June 2022, the following options were exercised:

| Grant date | Options exercised | Exercise price | Vesting date | Expiry date |
|---|---|---|---|---|
| 21/12/2016 | 750,000 | $0.10 | 31/12/2018 | 31/12/2021 |
| 21/12/2016 | 500,000 | $0.10 | 26/10/2019 | 30/12/2021 |
| 31/07/2018 | 250,000 | $0.50 | 31/12/2019 | 31/12/2022 |
| 31/07/2018 | 250,000 | $0.50 | 31/12/2020 | 31/12/2023 |
| 12/02/2019 | 58,333 | $0.60 | 05/03/2019 | 20/02/2022 |
| 27/11/2019 | 500,000 | $0.60 | 04/12/2020 | 04/12/2022 |
| 24/02/2020 | 100,000 | $0.50 | 31/01/2021 | 31/01/2022 |
| | 2,408,333 | | | |

*b) Options on issue at balance date*

The number of options outstanding over unissued ordinary shares at 30 June 2023 is 7,786,958 as follows:

| Grant date | Options granted | Exercise price | Vesting date | Expiry date |
|---|---|---|---|---|
| 01/02/2019 | 200,000 | $0.65 | 31/12/2020 | 31/12/2023 |
| 19/10/2020 | 4,246,958 | $1.60 | 19/10/2020 | 19/10/2023 |
| 07/02/2022 | 140,000 | $1.10 | 07/02/2022 | 18/01/2025 |
| 07/02/2022 | 700,000 | $1.50 | 07/02/2022 | 07/02/2025 |
| 13/06/2023 | 2,500,000 | $0.35 | 13/06/2023 | 13/06/2025 |
| | 7,786,958 | | | |

During the current year the following movements in options over unissued shares occurred for share-based payments:

| | Number of options 30 June 2023 | Weighted average exercise price 30 June 2023 | Number of options 30 June 2022 | Weighted average exercise price 30 June 2022 |
|---|---|---|---|---|
| Outstanding at the beginning of the financial year | 6,486,958 | $1.131 | 8,120,291 | $1.041 |
| Granted | 2,500,000 | $0.350 | 840,000 | $1.433 |
| Forfeited | (1,200,000) | $0.608 | (65,000) | $0.600 |
| Exercised | - | $0.000 | (2,408,333) | $0.316 |
| Outstanding at the end of the financial year | 7,786,958 | $0.839 | 6,486,958 | $1.131 |
| Exercisable at the end of the financial year | 7,786,958 | $0.839 | 6,486,958 | $1.131 |

## Note 30. Share-based payments (continued)

The range of exercise prices for options outstanding at the end of the year was $0.35 to $1.50 (2022: $0.60 to $1.50).

The weighted average contractual life for unexercised options is 11.2 months (2022: 14.6 months)

*c) Subsequent to balance date*

Since the end of the financial year and the date of this report, no options have been exercised (2022: Nil). No options have been cancelled, issued or vested between the end of the financial year and the date of this report.

*d) Basis and assumptions used in the valuation of options*

2,500,000 options were issued during the financial year (2022: 840,000 options) and have been valued and expensed in the financial statements over the periods that they vest. The share-based payments expense for the period of $702,383 (2022: $138,012) relates to the fair value of options apportioned over their respective vesting periods.

The options issued during the year ended 30 June 2023 were valued using the Black-Scholes option valuation methodology, as follows:

| Date granted | Options granted No. | Exercise price $ | Expiry date | Risk free interest rate % | Volatility applied % | Value per option |
|---|---|---|---|---|---|---|
| 13/06/2023 | 2,500,000 | $0.35 | 13/06/2025 | 4.10% | 137.0% | $0.281 |

The options issued during the year ended 30 June 2022 were valued using the Black-Scholes option valuation methodology, as follows:

| Date granted | Options granted No. | Exercise price $ | Expiry date | Risk free interest rate % | Volatility applied % | Value per option $ |
|---|---|---|---|---|---|---|
| 07/02/2022 | 700,000 | $1.50 | 07/02/2025 | 1.39% | 95.8% | $0.160 |
| 07/02/2022 | 140,000 | $1.10 | 18/01/2025 | 1.39% | 95.8% | $0.184 |

Historical volatility at the time of issue has been used as the basis for determining expected share price volatility, as it is assumed that this is an indicator of future share price performance, which may not eventuate.

### *Performance Rights*

The Company's Performance Rights Plan was re-approved by shareholders in December 2020.

*a) Performance rights granted, vested and lapsed during the year*

During the financial year ended 30 June 2023, the following grants occurred with respect to performance rights during the period:

| Grant date | Rights granted | Expiry date | Fair value per right at grant date | Vesting |
|---|---|---|---|---|
| 28/06/2023 | 500,000 | 28/06/2024 | $0.21 | Issued vested |

During the financial year ended 30 June 2023, the following occurred with respect to performance rights during the period:

## Note 30. Share-based payments (continued)

- 10,000,000 vested performance rights were exercised by Mr Vlado Bosanac on 12 December 2022 into ordinary shares in the Company.
- 500,000 performance rights were issued to an employee on 28 June 2023 and vested immediately. These rights were exercised on 30 June 2023 for 500,000 ordinary shares in the Company.

During the financial year ended 30 June 2022, no new performance rights were granted by the Company. The following transactions occurred with respect to performance rights during the period:

- 2,000,000 performance rights vested in Mr Vlado Bosanac and were exercised on 1 March 2022 for 2,000,000 ordinary shares in the Company.
- 100,000 performance rights, which were due to vest on 6 November 2022 and 6 November 2023 respectively lapsed, due to the employee holding those performance rights resigning from the Company in June 2022.

*Performance rights on issue at balance date*

The number of performance rights outstanding over unissued ordinary shares at 30 June 2023 is as follows:

| Grant date | No of rights | Expiry date | Fair value per right at grant | Vesting |
|---|---|---|---|---|
| 06/11/2020 | 50,000 | 06/11/2026 | $0.85 | Vested, not exercised |

*c) Subsequent to balance date*

Subsequent to the balance date, no performance rights have been granted, exercised, expired or cancelled.

*d) Basis and assumptions used in the valuation of performance rights*

Performance rights issued during the period were issued with no vesting conditions. The 500,000 performance rights issued on 28 June 2023 were valued with reference to the underlying AHI share price at the time of issue, being $0.21.

***Expenses arising from share-based payment transactions***

Total expenses arising from share-based payment transactions recognised during the period were as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2023<br>$ | 30 June 2022<br>$ |
| Shares issued for services rendered in relation to the NASDAQ listing | - | 979,638 |
| Shares issued to directors as remuneration | - | 920,000 |
| Shares issued to advisers as remuneration | 117,600 | - |
| Performance rights issued to directors and employees as remuneration | 105,000 | 6,394,571 |
| Options issued to directors as remuneration | - | 112,188 |
| Options issued to directors as remuneration | - | 25,824 |
| Options issued to advisers as remuneration | 702,383 | - |
| | 924,983 | 8,432,221 |

## Note 31. Events after the reporting period

***AHI Signs Exclusive License with Changlin Network Technology Ltd***

On August 4, 2023, Advanced Health Intelligence informed shareholders that the Company has executed a binding exclusive, perpetual license with Shanghai-based Changlin Network Technology Ltd ("Changlin").

## Note 31. Events after the reporting period (continued)

Shanghai-based Changlin Network Technology and Advanced Health Intelligence have worked together over the past 90 days, collaborating on the terms and commercial aspects of the exclusive license for The Peoples Republic of China. Today, we are pleased to inform shareholders of the conclusion and signing of the license between the groups.

Changlin was initially founded in 2019 by Cecilia Qiao and Russell Bateman, collectively bringing over 50 years' experience in the health insurance sector spanning the globe and particularly mainland China. Using the "China 2030 health initiative" as its cornerstone, Changlin was established as a specific vehicle to implement transformational technologies. Now, Changlin will direct its resources to commercialise and bring AHI's innovative, scalable digital healthcare solutions to the People's Republic of China at scale. This creates the foundation of rapid growth and reflects its mission to transform the country's healthcare landscape through the power of advanced digital technology.

Changlin identified AHI's innovative technology in 2019 when attending a demonstration by AHI with China's 3rd largest Insurance company, China Pacific Insurance Company, CPIC. Changlin's strategy is to leverage AHI's technology through the support and initiatives the Chinese Government is encouraging with a need to improve the population's health and healthcare accessibility. The Chinese government has initiated a comprehensive policy to actively encourage and foster innovation in the healthcare sector, with an emphasis on inviting local Chinese companies to scout, partner with, and bring cutting-edge technologies from around the globe. This strategic move aligns with the government's vision to advance healthcare services and improve patient care in China. It underscores China's commitment to modernise its healthcare system and infrastructure, accelerate digital health transformation, and, in doing so, meet the evolving health needs of its population. China is paving the way for a healthier and technologically advanced future by inviting global health innovation.

The intention is to provide individuals with AHI's Biometric Health Assessment via the Changlin platform or application, identifying commonly known chronic disease indicators to triage the individual into the appropriate care pathways.

The broad commercial terms of the license with Changlin Network Technology Ltd are:

(1) Changlin is to pay AHI USD$10 million within 90 days from the execution date of the agreements for the exclusive and perpetual right to AHI's technology ("**Upfront License Fee**"). Changlin is in the process of obtaining finance to pay the Upfront License Fee, following which approval from the State Administration of Foreign Exchange of China ("**SAFE**") will be sought.
(2) Following the receipt of SAFE approval, the Upfront License Fee will be paid, and AHI will grant Changlin the license.
(3) This period may be extended by mutual agreement.
(4) Changlin will pay AHI an annual license fee of USD$5m in addition to any revenue share.
(5) AHI will receive a 25% revenue share of Changlin's gross sales. This revenue share will be paid quarterly in arrears.
(6) The agreement contains standard termination clauses as is customary in such arrangements.
(7) Changlin will localise the intellectual property (IP) and, if necessary, develop its own IP related to the licensed technology.
(8) Changlin may only commercialise the technology within the People's Republic of China
(9) Should Changlin create IP that AHI wishes to offer outside of China, AHI retains the unrestricted right to do so in all other jurisdictions globally.
(10) Changlin has been granted a 120-day standstill period during which AHI will not offer, sell, or enter negotiations with other parties within China.
(11) AHI will initially hold shares in Changlin of 50%.
(12) Changlin is targeting an initial public offering in 2024 (IPO); in such an event, AHI will maintain up to 25%, but not less than 20%, of its common shareholding in Changlin at the IPO.

### *AHI Signs Collaboration Agreement with IntelliGen FZ-LLC*

On August 14, 2023, Advanced Health Intelligence informed shareholders that the Company has entered into a Collaboration Agreement with UAE-Based IntelliGen FZ-LLC ("Intelligen") to deploy the AHI technology throughout the Middle East. The Collaboration Agreement between AHI and IntelliGen represents the successful conclusion of an extensive evaluation process by IntelliGen, which encompassed technology functionality, usability, and health evaluation.

The collaboration between AHI and IntelliGen represents an initiative to address the pressing healthcare challenges in the Middle East, particularly in Saudi Arabia. This partnership combines AHI's advanced technology with IntelliGen's deep understanding of in-country needs and its founders' extensive experience in healthcare provision and government collaboration.

## Note 31. Events after the reporting period (continued)

The parties are targeting Q1 2024 as the initial launch of the combined solution, and until such time AHI does not expect this collaboration to generate any revenue.

The broad commercial terms of the license with Intelligen are:

(1) The agreement was made between IntelliGen Solutions FZ-LLC, a company incorporated under the laws of the Dubai Development Authority, and Advanced Health Intelligence Ltd (AHI);
(2) The initial term of the agreement will be for 12 months from the effective date and will automatically extend annually unless terminated by either party with 30 days' notice prior to the end of the initial term;
(3) The partnership aims to establish AHI's presence within both governmental and private entities across the Middle East, mainly focusing on Saudi Arabia. The goal is to commercialise AHI's technology through IntelliGen Solutions;
(4) AHI UAE will form a Special Purpose Vehicle (SPV) to pursue commercial opportunities introduced by IntelliGen Solutions;
(5) IntelliGen will receive a revenue share from all opportunities introduced by IntelliGen;
(6) Revenue share will be calculated as 50% of revenue above AHI base commercial offering; and
(7) The Agreement can be terminated by mutual agreement upon 90 Days written notice or with cause.

IntelliGen has the potential to earn between 250,000 and up to 2,000,000 fully paid ordinary shares in AHI. This share allocation is intricately linked to the successful generation of license fees through collaboration or direct investment in AHI. The issuance of these shares is contingent upon IntelliGen meeting specific criteria related to generating license fees or investment, as outlined in the table below. Upon the successful fulfilment of these criteria, AHI will seek shareholder approval for the issuance of the shares.

| Aggregate License Fee/Investment ($) | AHI Shares issued to IntelliGen |
|---|---|
| US$2m | 250,000 |
| US$5m | 500,000 |
| US$10m | 1,000,000 |
| US$20m | 2,000,000 |

### *AHI successfully registers R&D Overseas Advance Ruling*

On August 17, 2023 - Advanced Health Intelligence Ltd announced a significant milestone in its ongoing commitment to innovation and research. AHI's submission to the Australian Government was successful in obtaining eligibility for 43.5% reimbursement of approved expenditures incurred abroad for overseas Research & Development (R&D) of intellectual property (IP) under the Australian Government Research and Development Tax Incentive Scheme.

Following a thorough review and assessment by the relevant governmental bodies, AHI's R&D projects for further enhancement of its IP pertaining to its biometric health assessment, clinical trial validations and on-device algorithms was approved. As a result, the Company is now eligible to claim 43.5% of the costs incurred for these approved Overseas Research and Development activities.

After closing the acquisitions in 2022 of Vertica Health and Wellteq Digital Health Inc., the Company expanded its global development team across the US, Singapore, South Africa, and Netherlands. The economic value returned to the Company through the R&D reimbursement scheme is significant, and AHI will now be able to cast a far broader net to attract additional skills required to extend its leadership in its field of smartphone-derived biometric health technology.

This success underscores AHI's dedication to pioneering research and aligns with the Australian Government's robust support for advancing global research initiatives and Australian-owned IP development. It reflects both the stringent eligibility criteria and the broader goals of the R&D reimbursement program, designed to foster innovation and growth within the industry.

The reimbursement will significantly contribute to AHI's ongoing R&D projects, enabling the Company to invest in cutting-edge technologies and methodologies that will drive future success and what we believe to be game-changing for global health.

## Note 31. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.