

April – June 2019 Quarterly Update

PainChek® strong sales momentum continues, and set to further accelerate with Federal Government funding and international expansion

Local Sales Development:

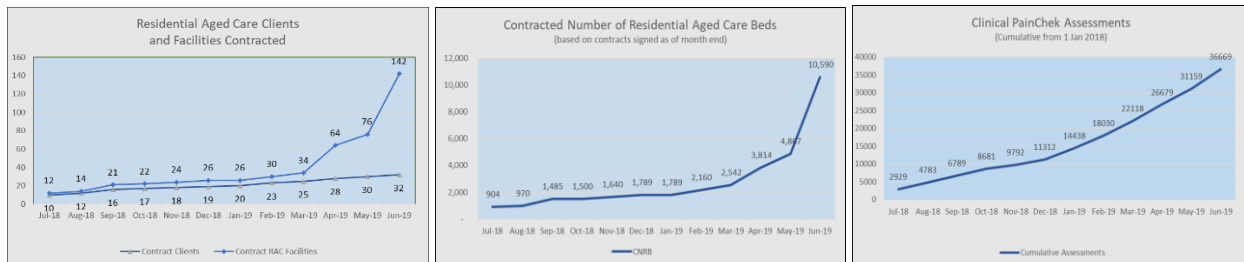
PainChek® has enjoyed a very positive sales quarter. Since 31st March 2019 we have effectively quadrupled our local market penetration, with the number of contracted aged care beds increasing from 2,542 to 10,590 and the number of contracted aged care facilities increasing from 34 to 142. In addition, the number of PainChek® clinical assessments has grown from 22,118 to more than 36,000, reflecting continued strong take up and clinical utility of the App.

Major new clients acquired during the quarter include the following:

- a 1,000-bed license agreement with Churches of Christ in Queensland (CofCQ) who own and operate 28 Queensland RAC homes.
- 750 bed license agreement with The Baptist Union of Queensland - Carinity (11 RAC's)
- 2,000 bed license agreement with IRT Aged Care Centres (20 RAC's)

In addition, existing customer Allity Pty Ltd committed to a full rollout of PainChek® across all of their facilities during the FY2020 year, increasing the number of RACS and beds under contact by 42 and 3,620 respectively. We also signed a number of smaller Residential Aged Care providers during the quarter.

These figures exclude the direct impact of the Federal Government funded trial announced on 29 April 2019. The trial and grant paperwork are currently being finalized with the Department of Health Government, and we are scheduling a Q2 FY 2020 start for a one-year period.



Summary of Agreements	Cumulative No. of Contracted RAC Customers	Cumulative No. of Contracted RAC's	Cumulative No. of Contracted Beds	Cumulative No. of Assessments (Active Clients)	Monthly Recurring Revenue (MRR)* as at quarter end	Annual Recurring Revenue (ARR)* as at quarter end
For the 3 months ended 30 Sept 2018	15	21	1,485	6,789	10,582	126,990
For the 3 months ended 31 Dec 2018	18	26	1,789	11,312	11,982	143,790
For the 3 months ended 31 Mar 2019	23	34	2,542	22,118	15,384	184,607
For the 3 months ended 30 June 2019	30	142	10,590	36,669	48,897	586,767

* Monthly Recurring Revenue (MRR) and Annual Recurring Revenue (ARR) includes subscription revenue on contracts of a minimum of 12 months and excludes any on-off fees for support and training. MRR and ARR are based on contracts signed as of quarter end and include two non-RAC contracts (Dementia Support Australia and Southern Cross WA). The PainChek monthly Revenue per Licensed Bed (RLB) across the RAC customers based on the agreements signed to date is in the range of \$5 per month, and the Revenue per Active Resident (RAR) is in the range of \$10 per month based on actual resident usage. See ASX release dated 31 July 2018.

Revenue recognized in the Company's financial statements is based on contracted beds that have been implemented and are active using the PainChek App. This is consistent with the accounting standard for revenue recognition. At 30th June 2019 there were 3,564 active licensed beds with an ARR of \$234k. Detailed project plans for implementation are agreed with clients who have a significant number of facilities (such as Allity), and therefore there can be a delay before the beds are activated and revenue is then recognized. Due to the surge in new signed contracts during June 2019 we carried over more than 7,000 new beds to be implemented during Q1 FY 2020 which will significantly increase the next quarters recognised revenue results.

Australian Government Funding:

PainChek Ltd welcomed the recent announcement that the Morrison Government will invest \$5M to facilitate the implementation of the company's PainChek® app in Australian residential aged care centers (RAC's).

The announcement was made in Perth on 29th April 2019 (see ASX release of same date) by the then Minister for Senior Australians and Aged Care Ken Wyatt AM at Regents Gardens Aged Care. The funding makes provision for a universal PainChek® access license for the more than 1,000 Residential Aged Care Providers in Australia and their 100,000 residents living with dementia for a one-year period. The contract is in the process of being finalized.

There are more than 220,000 residents in aged care within Australia of which around 50% are living with dementia. Undiagnosed or poorly diagnosed pain is a huge issue among that group.

PainChek CEO Philip Daffas commended the Federal Government and the Hon Ken Wyatt AM for showing genuine vision and a strong commitment to improving the care of non-verbal Australians who are in residential care.

“Better pain identification and better medication management means a better quality of life for people receiving aged care. This trial will complement the reforms already announced by the Morrison Government to improve medication management and provide a record boost to dementia prevention, treatment and support” said Minister Wyatt.

This significant investment is expected to trigger widespread and long-term use of the PainChek® app within Australian Residential Aged Care and is positively impacting our international expansion program. As a business we have been making good progress by approaching aged care providers individually, but this endorsement and funding assistance is expected to take the penetration into Residential Aged Care to a whole new level.

Since the announcement and the Morrison government re-election, we have been in close contact with the Department of Health and are now in the process of completing all the required paperwork. The funded program is scheduled to commence in Q2 FY 2020 and will continue for a one-year period from the commencement date.

PainChek is also working closely with the Department of Health to build in resident data collection including demographic and usage data during the trial in order to help government planning around future capacity building and training requirements within aged care facilities. This is an additional benefit that will come out of the funded trial.

We are well positioned to roll out PainChek rapidly through a range of training programs and partners, including Dementia Support Australia, and on-line training capabilities and we will be working hard to implement PainChek® as quickly as possible across nominated aged care homes.

This program will also help refine how the app gets integrated into every day clinical care in the aged residential setting working with our current and future Care Management System providers in Australia.

Integration Partners:

We now have integration agreements in place or being finalized with five of the major care management systems in Australia and Person-Centered Software in the UK. These agreements facilitate the automated documentation of PainChek for more than 80% of the 220,000 Australian aged care beds and more than 40,000 in the UK. The benefit is rapid, point of care pain assessments that eliminate duplication of effort for carers giving them more time to focus on resident care.

PainChek Clinical Outcomes:

The Company has reached the stage where our clients are now able to share the clinical benefits on the use of PainChek App and the impact to their residents’ care. We have now released the first of a number of PainChek case studies in Residential Aged Care that were developed in collaboration and the approval of our clients. The clinical benefits already seen include:

- Increased numbers of pain assessments
- Better and more appropriate therapeutic treatments
- Reduction in behaviours and improved quality of life for residents
- Helping aged care centers achieve their accreditation standards

A new communication piece and the case studies are being distributed to our clients through upcoming conferences and is the first in a sequence of client-based case studies.

Other local market segments:

Having established a solid base within Residential Aged Care, we are continuing to explore partnerships and distribution channels – locally and internationally to broaden PainChek® App use into other market segments. We will be focusing on hospitals, GP, home care operators and home carer services during the remainder of 2019.

International Expansion:

The Company reached a key milestone in the international expansion through the signing of binding distribution agreement with Person Centered Software UK.

Under the agreement Person Centered Software will distribute the PainChek App to their UK client base through their sales, marketing and service capabilities. PainChek® integration into Person Centered Software's Mobile Care Monitoring system will provide carers with seamless pain assessment and monitoring of their residents living within Aged Care.

Person Centered Software is based in the UK and supplies Care Management systems to more than 1,200 aged care providers, servicing over 40,000 residents. PainChek® integration into Person Centered Software's industry leading product range has been completed.

Since the announcement, we have completed a first training session with the PCS UK team and conducted joint-visits to a number of their initial targeted aged care trial facilities to commence the PainChek trials.

To support the UK market development, we are in the process of setting up a UK office and recruiting a UK Business Development Manager to support the PCS UK sales drive and direct sales into the UK market. The UK base will also provide a platform for broader European market expansion.

We continue to make positive progress with strategic partners in Singapore and New Zealand and with strong interest from other international markets, further expanding our commercial progress and global market reach.

Federal Drug Administration:

We had a positive face to face meeting with FDA in Washington DC in June 2019 as part of the De Novo regulatory process including the demonstration of the PainChek App and the AI capability. PainChek was

confirmed as a De Novo classification as there is no other regulated similar device in the US market. The existing PainChek Australian based research data was received positively, and we obtained guidance from the FDA in terms of additional validation requirements to complete the De Novo regulatory classification. We are currently finalizing the additional validation work for review with FDA. This work is budgeted, and we continue to project FDA clearance for the PainChek® Adult App during 2020.

Patents:

We have been issued a Notice of Allowance for the PainChek® pain assessment invention by the United States Patent Office. This indicates that patent prosecution has been successfully completed. The patent, when granted, will allow PainChek® to protect the intellectual property of its invention in the United States and provides a platform for growing the brand in international markets.

The US patent, when granted, gives PainChek® exclusive rights to exclude others from making, using, selling or importing the invention for 20 years from the filing date in the US (17 February 2017).

Our ongoing De Novo regulatory application confirms PainChek as a first in kind from a regulatory standpoint and the granting of the US patent will confirm that PainChek is also first in kind from an intellectual property standpoint.

From a business perspective, the US is the largest medical device market in the world and there are more than six million people living with dementia. Establishing our intellectual property in the US is a crucial step forward as part of protecting and growing the PainChek® brand internationally.

We continue to make positive progress with our national patent filings for the PainChek® App in all other jurisdictions including Europe Japan, China and Australia.

PainChek Children's App:

The research agreement with Melbourne's Murdoch Children's Research Institute (MCRI) was signed in June 2019 and the PainChek infants *PainFaces* clinical trial has officially commenced. MCRI are the largest child health research institute in Australia, and one of top three worldwide and their campus partners include Royal Children's Hospital in Melbourne and University of Melbourne's Department of Paediatrics.

The *PainFaces* study will be led by Professor Franz Babl (MCRI) and Associate Professor Di Crellin (MCRI) in the Emergency Department (ED) of the Royal Children's Hospital. In this new study the pain scores derived using the PainChek Infant App will be compared to those obtained using observational children's pain assessment tools by two independent assessors in 100 infants undergoing painful procedures within the ED. The clinical study completion is dependent on the recruitment of the 100 children and is currently projected to be Q3 FY 2020.

The Results and learnings from the research will support applications for regulatory approval of PainChek® Infant's App with the Therapeutics Goods Administration (TGA), CE Mark, Europe, and the Food and Drug Administration (FDA) in the USA.

Summary:

In two years the PainChek® Adult App has been clinically proven, regulatory cleared and now Federal Government funded in Australia. More than 40,000 pain assessments (as of July 2019) have been conducted in Australian aged care, with an increasing number of case study reports confirming the clinical and cost benefit.

There are now more than 140 aged care facilities that have annual subscription agreements in Australia and we now have contracted annual recurring revenue (ARR) exceeding \$500,0000 when implemented, which is projected to accelerate with the government funded initiative and international expansion.

We have entered international markets through a distribution partnership in the UK with PCS UK and finalizing other international agreements to address need the large market opportunities and the 50 million people living with dementia globally.

We have commenced the Children's App clinical trial with the Murdoch Children's Research Institute, one of the top three leading children's research centres globally. The Children's App serves an even larger market, where globally there are more than 400 million children between the aged of 0-3 years.

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

The Company's quarterly cash report (Appendix 4C) follows. The Company has been focussed on tightly managing cash expenditure and has delivered the sales growth referred to above whilst maintaining staffing levels.

The Company has raised new capital to fund the growth planned and we thank our shareholders for their continued support and those option holders who have elected to exercise their options during the quarter which has provided additional capital.

The Company continues to achieve its commercial milestones for calendar 2019 and is becoming the new global gold standard for pain assessment in multiple healthcare market segments.

Philip Daffas
CEO – PainChek Limited

29 July 2019